Financial Sector Benchmarking System

Regional Benchmarking Report

October 2011

About the Financial Sector Benchmarking System

This Regional Benchmarking Report is part of a series of benchmarking reports about financial sector challenges and USAID programming needs in the twelve countries in Southeast Europe and Eurasia that are beneficiaries of USAID's Partners for Financial Stability ("PFS") program. Interested persons can access this report, other financial sector benchmarking reports, a benchmarking methodology paper, and an interactive tool for generating customized reports from the benchmarking database at http://www.pfsprogram.org/fsbs-database.

In this updated version of the June 2011 Regional Benchmarking Report, new data for 2010 and early 2011 have been incorporated. The subject countries' financial sectors are compared and contrasted against other emerging European countries and against a 'global benchmark' which is taken from one of these sources depending upon data availability and other considerations: the Eurozone countries' average; Korea (as a proxy for advanced developing countries); or a best-practices standard selected by PFS.

All of the data referenced in this document was obtained from public sources and the opinions expressed herein are based upon analysis by PFS.

CEE Northern Tier	CEE Southern Tier	Eurasia
Czech Republic	Albania	Armenia
Estonia	Bosnia and Herzegovina	Azerbaijan
Hungary	Bulgaria	Belarus
Latvia	Croatia	Georgia
Lithuania	FYR Macedonia	Kazakhstan
Poland	Kosovo	Kyrgyz Republic
Slovakia	Montenegro	Moldova
Slovenia	Romania	Russia
	Serbia	Tajikistan
		Turkmenistan
		Ukraine
		Uzbekistan

About PFS

The United States Agency for International Development (USAID) Partners for Financial Stability (PFS) Program is led by the Office of Economic Growth in the Europe and Eurasia Bureau (E&E). The project addresses the challenges facing the financial sector in 12 Partner Countries: Albania. Bosnia and Herzegovina. Kosovo, Macedonia, Montenegro and Serbia (Southeastern Europe) as well as Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine (Eurasia). Other countries in the E&E region that are considered USAID 'graduates' serve as Mentor Countries in the PFS Program.

The PFS Program is designed to complement the work of the bilateral USAID missions' Economic Growth programs in the region by bringing together regional players to address regional challenges. PFS Program activities include benchmarking studies, conferences, knowledge sharing, research and technical assistance. The PFS Program addresses the challenges of the financial systems in these regions, working in a broad range of subject areas including anti-money laundering, banking and non-bank financial regulation, supervision and institutional rehabilitation, corporate governance, financial literacy, access to finance and implementation of international standards in financial sector reporting.

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1. Update to Financial Sector Benchmarking Analysis dated June 2011

1.1. Macroeconomic and Financial Sector Stability

Indicators of macroeconomic stability deteriorated slightly in Southeast Europe (SEE) and Eurasia in 2010, while the most worrisome financial sector data show that banks in most countries are burdened by alarming levels of non-performing loans. The financial sectors continue to be vulnerable to external developments, particularly slowing EU growth and troubles with Eurozone banks.

On the macroeconomic side, most countries are still import-oriented, debts are climbing, and inflation is well above developed-country norms. Current account deficits remain unsustainably high in many countries, particularly the Southeast Europe (SEE) countries. These deficits declined in some countries but increased in others. Gross indebtedness levels increased modestly after growing rapidly in the face of fiscal stimulus packages in 2009 and are at high levels in most PFS Beneficiary countries, with the notable exceptions of Azerbaijan and Albania. Inflation rates declined in most countries but are still high, especially in Eurasia. In both SEE and Eurasia, the governments' gross reserves remain well below global benchmarks, and foreign direct investment is down. Most of the countries are running fiscal deficits, but these began to decline in 2010 as growth picked up and expenditures were cut. High structural unemployment and low per capita incomes are long term challenges.

Despite these challenges, the economies of the region grew in 2010 and the IMF is forecasting fairly high levels of economic growth for most PFS Beneficiary countries in 2011. **General market risks that can derail these forecasts include a fall-off in export earnings to the Eurozone and other non-EU member countries with which the PFS Beneficiary countries trade[1], combined with declining remittance flows, tourism receipts and direct investment as a result of tightened economic conditions in the Eurozone**. An additional point of stress for the PFS Beneficiary countries under such circumstances is the potential return of workers from Europe (and elsewhere, such as Russia) at a time when jobs are not readily available in the SEE or Eurasia regions. Particularly in the SEE region where structural unemployment rates are frequently above 20 percent, this is a significant challenge unless real GDP growth accelerates.

The countries' financial sectors became increasingly vulnerable to contagion from the Eurozone, while problem loans reached systemically worrying levels and (in most countries) exposure to foreign currency-induced credit risk increased. In several SEE countries, Eurozone banks own or control over 90 percent of the banking sector. NPLs in at least seven of the 12 PFS Beneficiary countries exceeded 10 percent in 2011, and most countries showed worsening trends. All of the countries except (Montenegro and Kosovo, which have adopted the euro) are exposed to the risk of yet worse loan quality problems as a result of their high levels of foreign currency-denominated loans.

Loan-to-deposit ratios show that banks in the SEE region are relatively liquid, whereas many banks in Eurasia are reliant on potentially volatile nondeposit funding. **Bank earnings also remain weak, in general.** In the case of SEE Beneficiary countries, 2010 bank earnings were close to zero. The most recently reported 2011 earnings

[1] See Regional Economic Outlook--Europe, IMF, October 2011, p. 87 for an index of trade inter-connectedness with the Eurozone and other parts of Europe. (Does not include the Caucasus.)

were strong in four countries with ratios above 1 percent[2], while most other PFS Beneficiary countries show positive albeit weaker earnings and some are showing losses.

Despite the rising NPLs, credit grew modestly in SEE and more robustly in Eurasia in 2010 based an influx of deposits, supporting restored GDP growth. This trend may reverse if contagion from the Eurozone brings about a new series of credit crunches throughout the region--choking off economic growth.

The banking sector maintained reasonably strong levels of capital and provisioning ratios for non-performing loans in 2010 in both regions. Banks' provisions for NPLs are high or balanced in most countries, but may be insufficient in at least four countries[3].

Deposit growth picked up substantially in 2010 in both regions, and explains most of the funding for incremental credit to the economy. The growth in deposits reflects improved confidence in the safety and soundness of the banks which have been reinforced by deposit insurance reform during or after the 2008 crisis. However, a significant portion of deposits is still held in foreign currency, well above global benchmarks (e.g., Eurozone, Korea). Deposit growth far exceeded growth in the Eurozone. Because of vulnerability to pressures in the Eurozone, there is a risk that deposit growth in several of the PFS Beneficiary countries will slow or even that deposits will contract in 2011.

1.2. Financial Sector Size

The financial sectors in both regions remain small by global benchmark measures, with slight improvement but no material changes in these ratios in 2010. Despite recent deposit growth, the ratio of bank deposits as a percentage of GDP in PFS Beneficiary countries is only a little more than half of the comparable measure in the Eurozone, while in Eurasia they are only about 30 percent of the benchmark. Bank credit to GDP in PFS Beneficiary countries is less than 40 percent of comparable benchmark levels, whereas in Eurasia it is less than 30 percent. Bank capital to GDP is generally about two thirds Eurozone measures. Insurance premium and stock market capitalization measures indicate significant development gaps when compared with global benchmarks.

1.3. Financial Sector Sophistication

As with financial sector size, financial sector sophistication in the PFS Beneficiary countries continues to lag global benchmarks, although there are signs of some incremental improvement. Stock and bond market liquidity (trading volume) remain extremely low, while stock market capitalization figures are volatile and well below figures in advanced markets. Insurance markets remain small and underdeveloped, particularly life insurance. In 2010, the non-life insurance premium revenues declined in both regions. While credit cards are not prevalent, there is evidence of payment cards being used increasingly in PFS Beneficiary country markets. Ratios of debit card holders are now nearly 40 percent of Eurozone benchmarks, although the number of debit card transactions per capita is much less (closer to 15 percent). Credit card measures are much lower.

1.4. Access to Financial Services

Access to financial services continues to significantly lag global (Eurozone) benchmarks, although a number of ratios showed improvement in both regions. Real interest rate spreads were higher than the Eurozone in 2010,

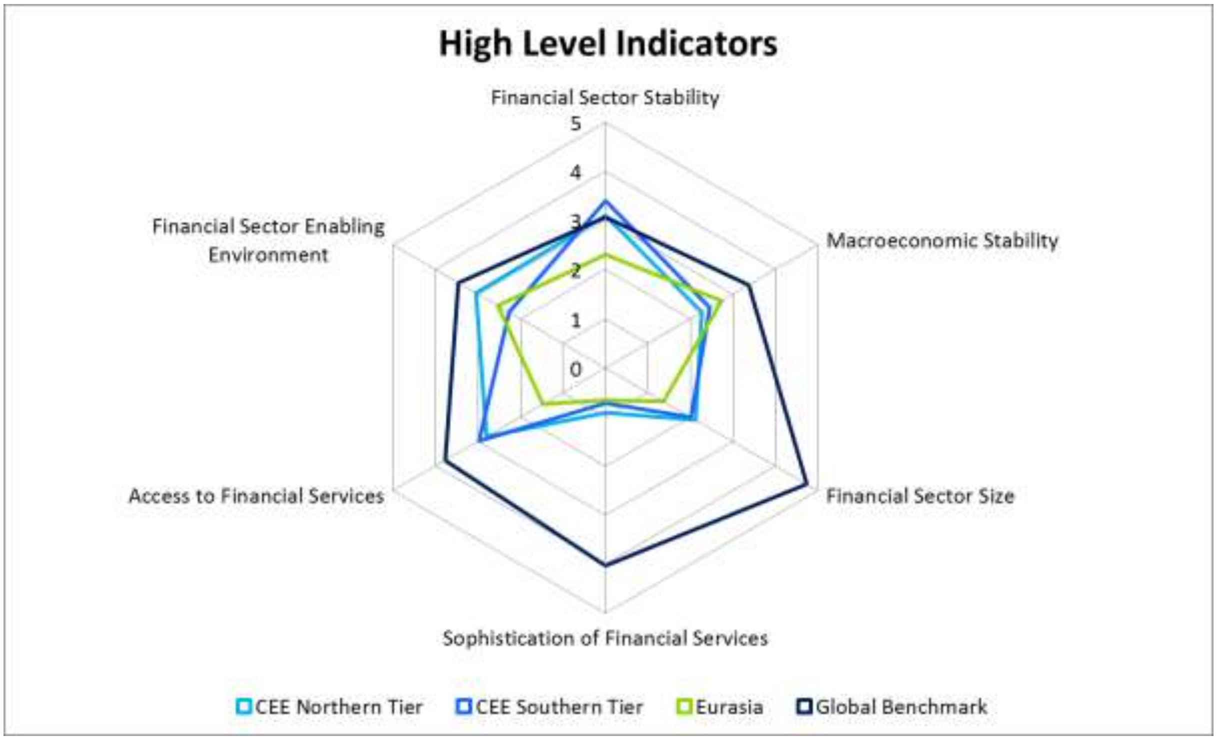
[2] Armenia, Georgia, Moldova and Serbia.
[3] Armenia, Bosnia, Moldova and Montenegro.

reflecting higher borrowing costs for businesses and individuals, although this may also reflect a reasonable risk premium under the circumstances. The number of bank branches and ATMs per capita declined slightly in many of the countries, reducing access for some.

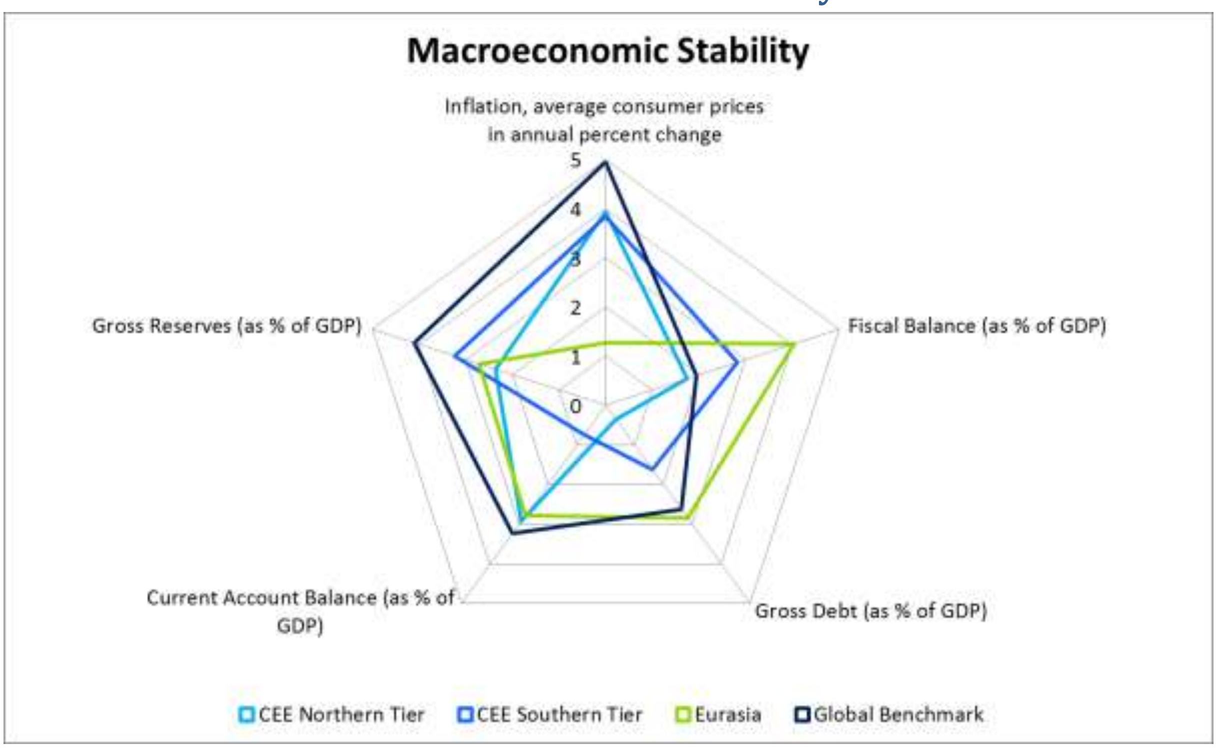
1.5. Enabling Environment for Financial Services

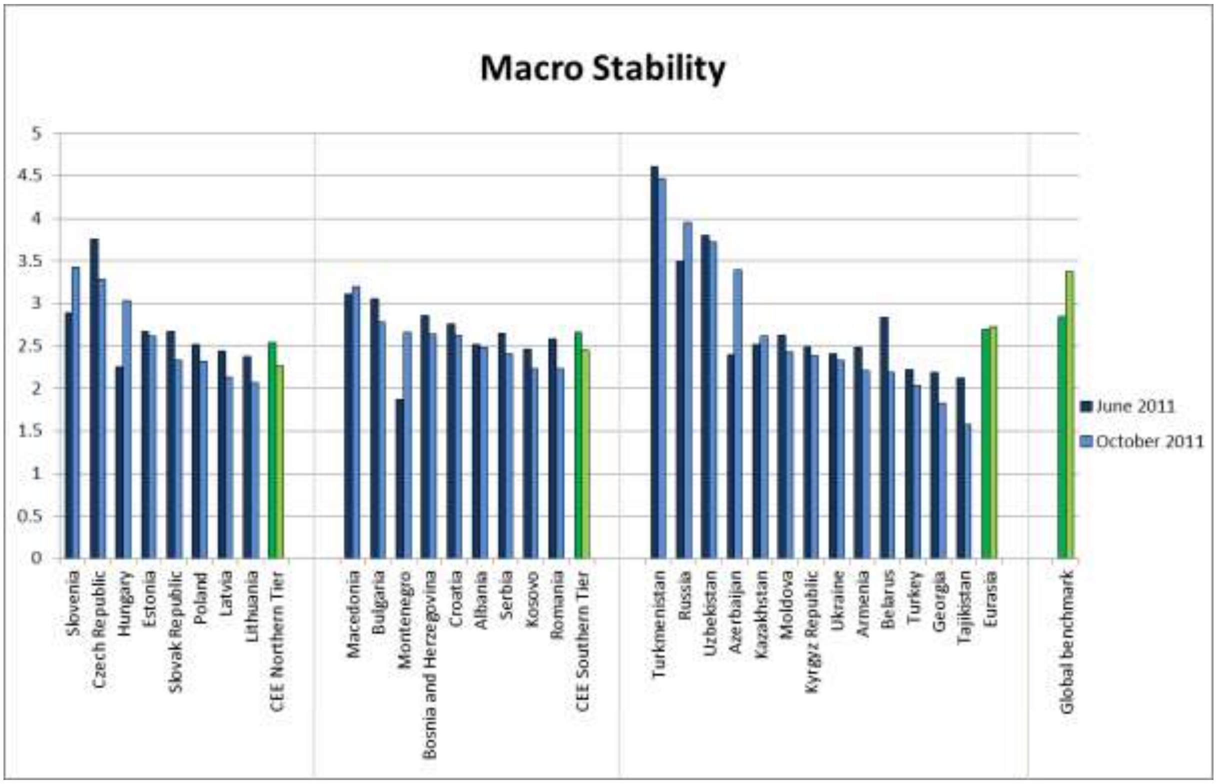
The enabling environment for financial services continues to improve in the PFS Beneficiary countries, although important lingering weaknesses undermine investment and economic growth. On the positive side, both regions have made significant improvements in property registration time requirements in recent years, albeit with some backsliding in Eurasia in 2010. Credit information bureau coverage continues to improve, with the SEE region in particular approaching Eurozone levels. On the negative side, contract enforcement remains comparatively costly in both regions, and most governance (corruption) indicators show very weak scores when compared with the Eurozone.

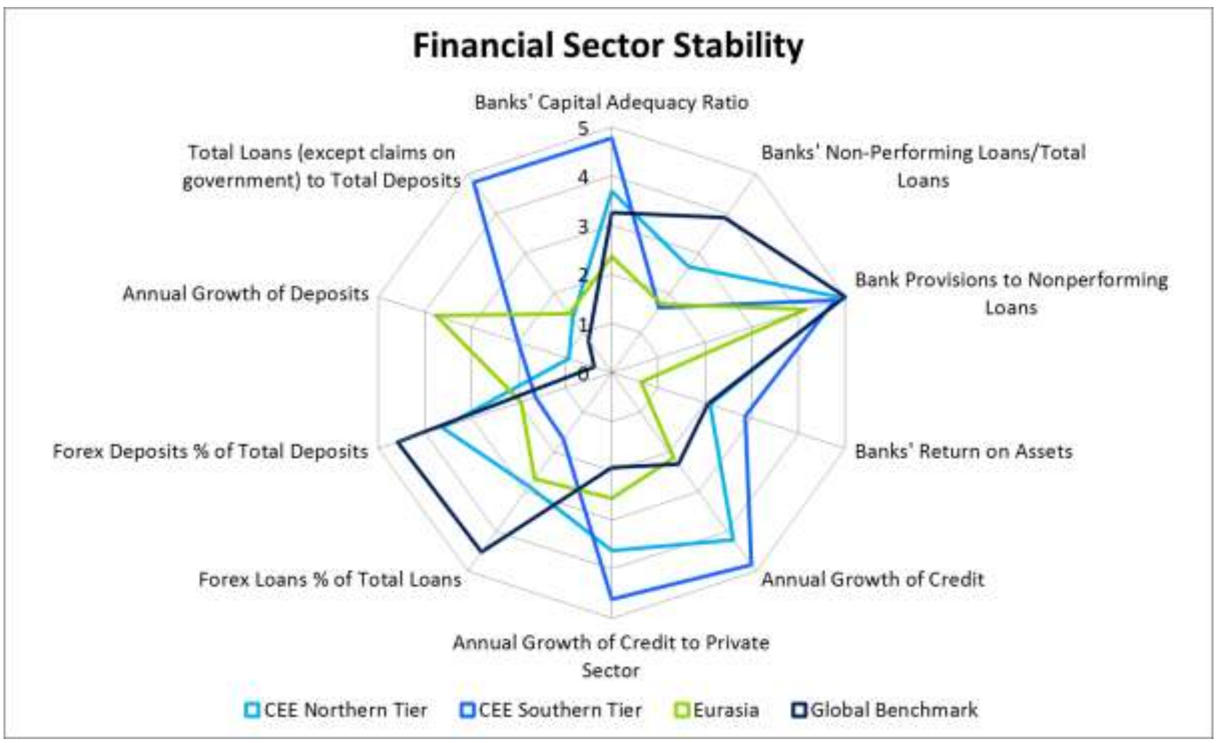
2. Financial Sector Benchmarking System Rankings – Overall

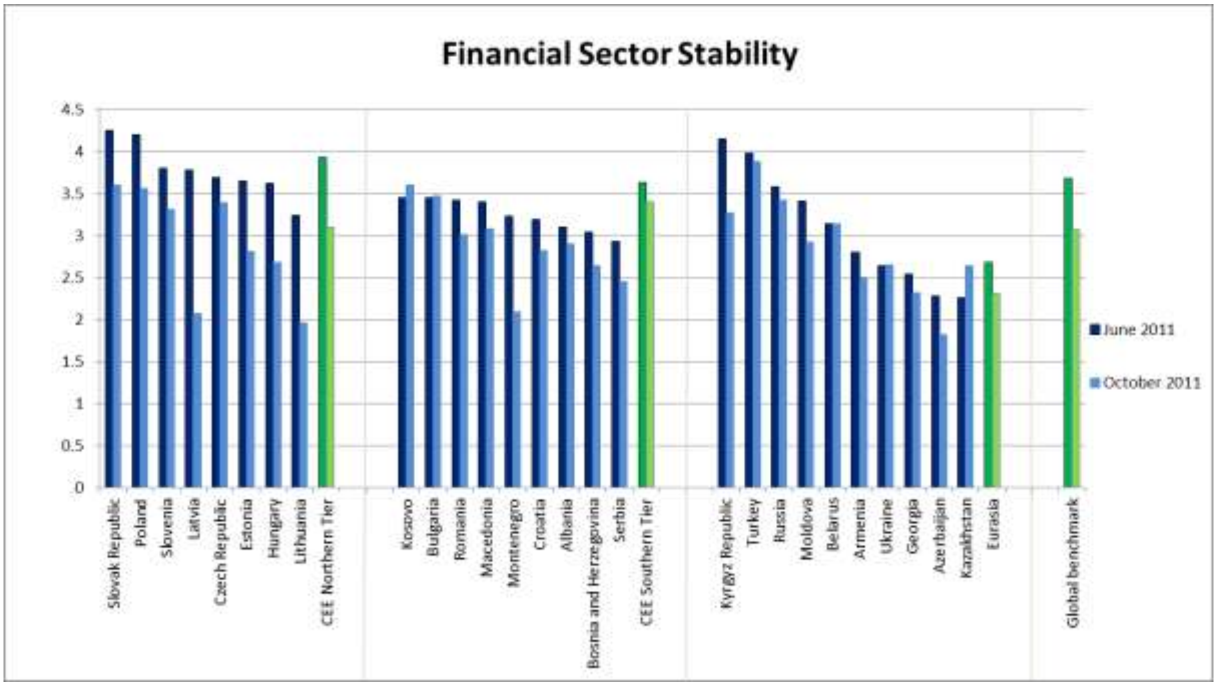


2.1. Macroeconomic and Financial Sector Stability

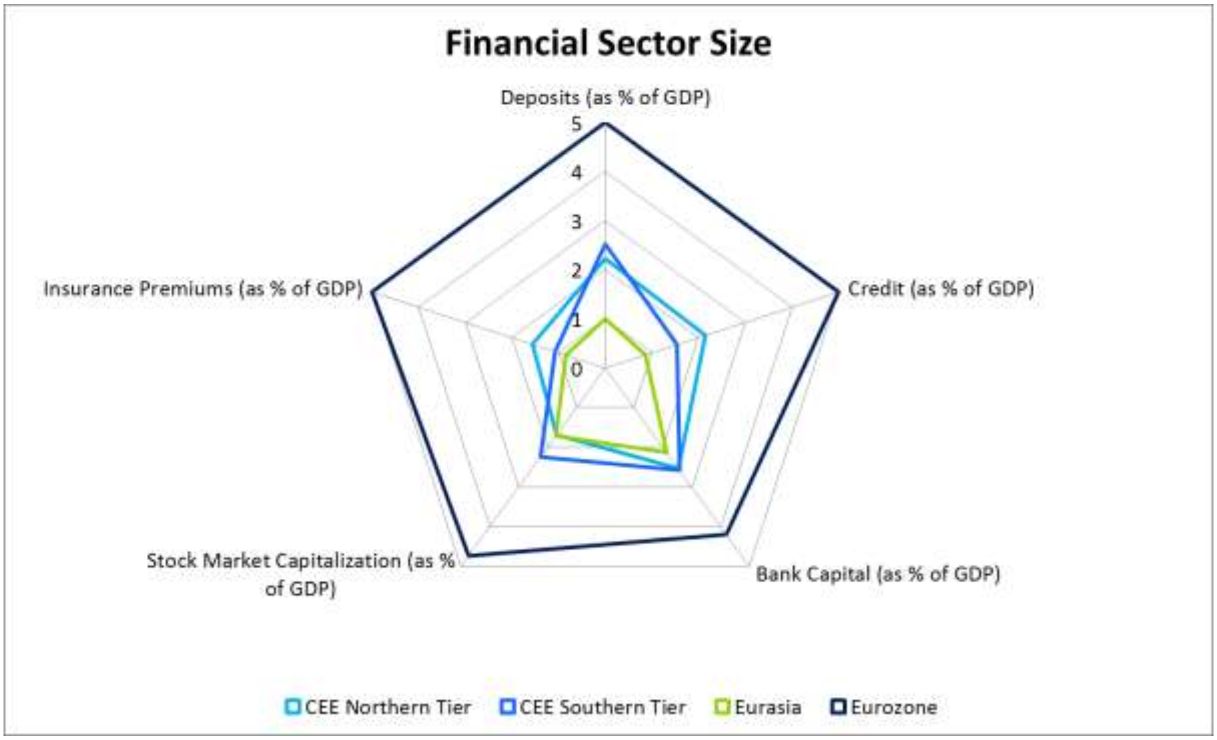


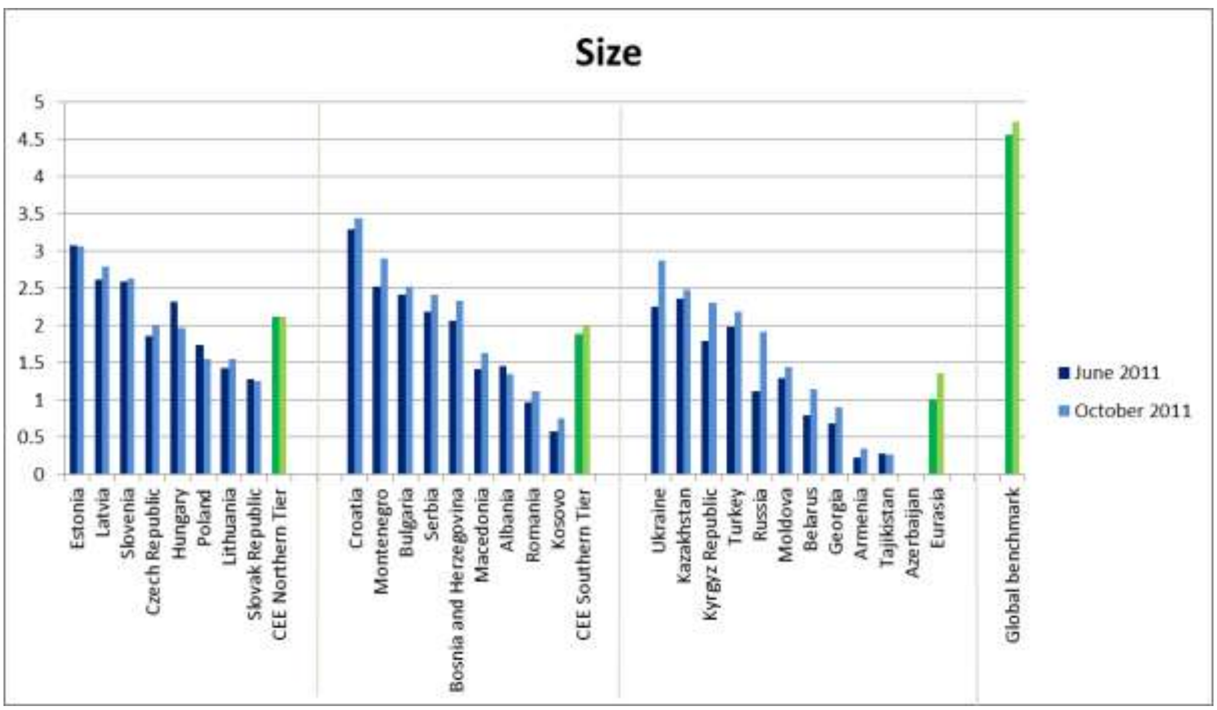

Macro Stability
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
June 2011
October 2011
Slovenia
Czech Republic
Hungary
Estonia
Slovak Republic
Poland
Latvia
Lithuania
CEE Northern Tier
Macedonia
Bulgaria
Montenegro
Bosnia and Herzegovina
Croatia
Albania
Serbia
Kosovo
Romania
CEE Southern Tier
Turkmenistan
Russia
Uzbekistan
Azerbaijan
Kazakhstan
Moldova
Kyrgyz Republic
Ukraine
Armenia
Belarus
Turkey
Georgia
Tajikistan
Eurasia
Global benchmark


Financial Sector Stability
Banks' Capital Adequacy Ratio
Banks' Non-Performing Loans/Total Loans
Bank Provisions to Nonperforming Loans
Banks' Return on Assets
Annual Growth of Credit
Annual Growth of Credit to Private Sector
Forex Loans % of Total Loans
Forex Deposits % of Total Deposits
Annual Growth of Deposits
Total Loans (except claims on government) to Total Deposits
5
4
3
2
1
0
CEE Northern Tier
CEE Southern Tier
Eurasia
Global Benchmark

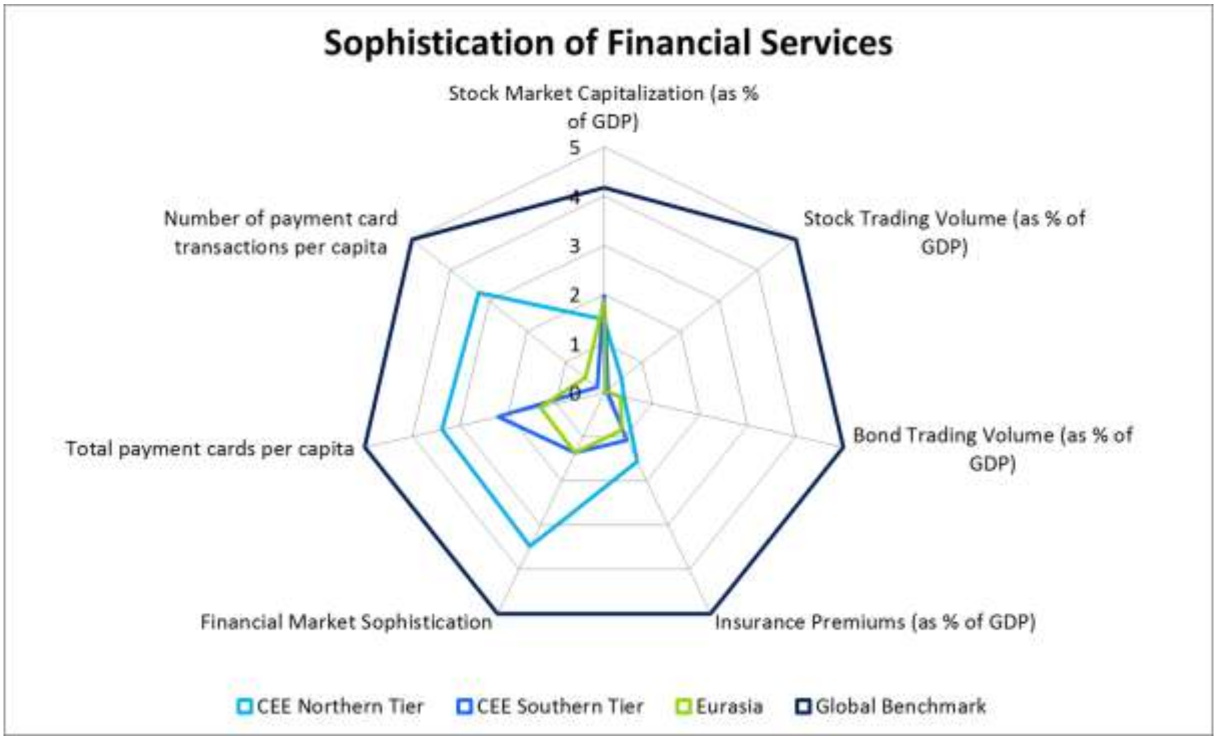

Financial Sector Stability
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
Slovak Republic
Poland
Slovenia
Latvia
Czech Republic
Estonia
Hungary
Lithuania
CEE Northern Tier
Kosovo
Bulgaria
Romania
Macedonia
Montenegro
Croatia
Albania
Bosnia and Herzegovina
Serbia
CEE Southern Tier
Kyrgyz Republic
Turkey
Russia
Moldova
Belarus
Armenia
Ukraine
Georgia
Azerbaijan
Kazakhstan
Eurasia
Global benchmark
June 2011
October 2011

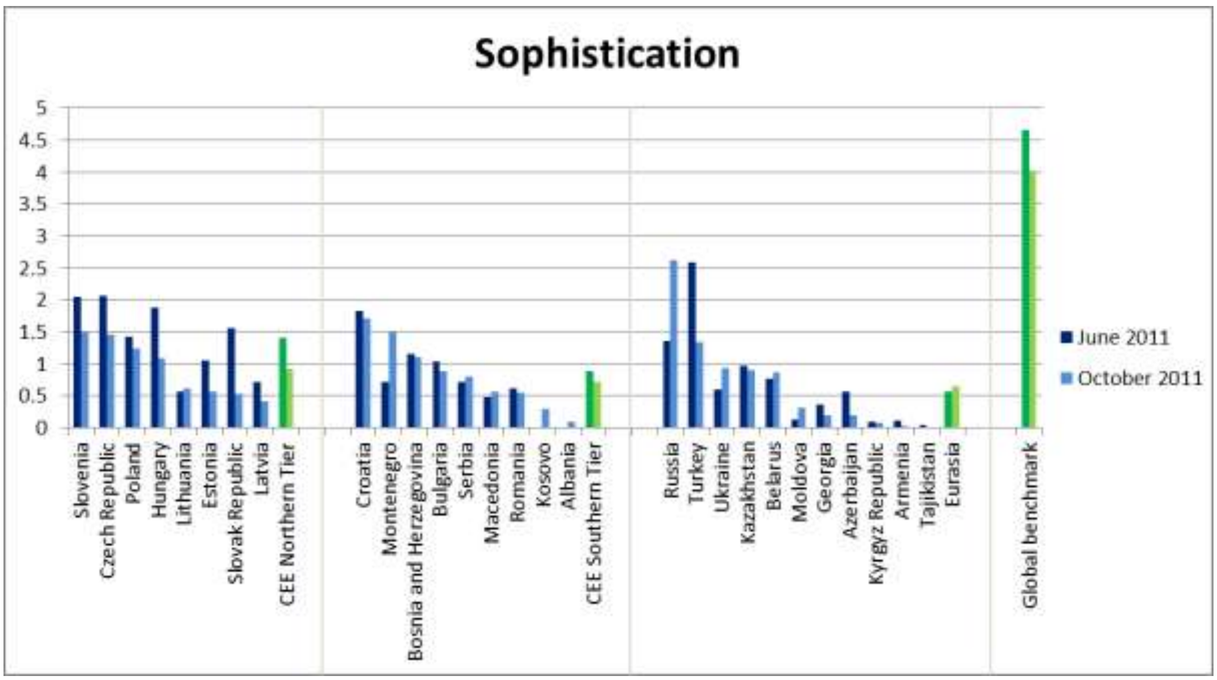
2.2. Financial Sector Size



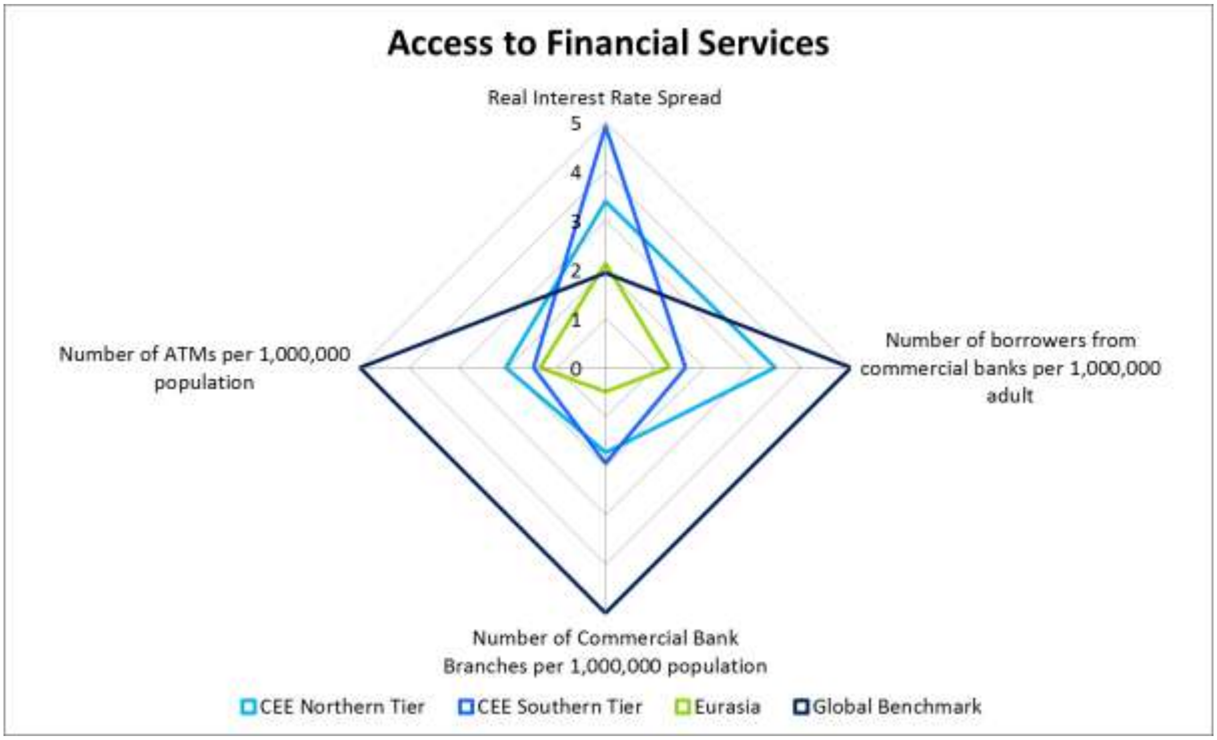


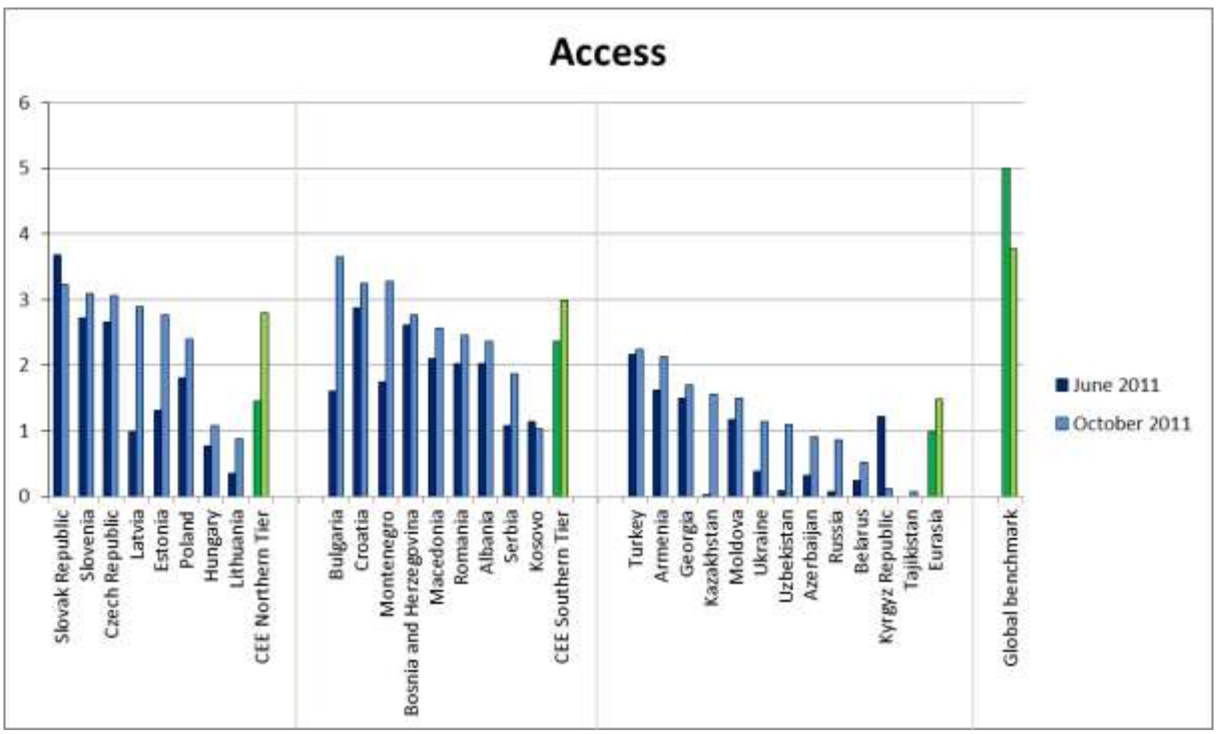
2.3. Financial Sector Sophistication



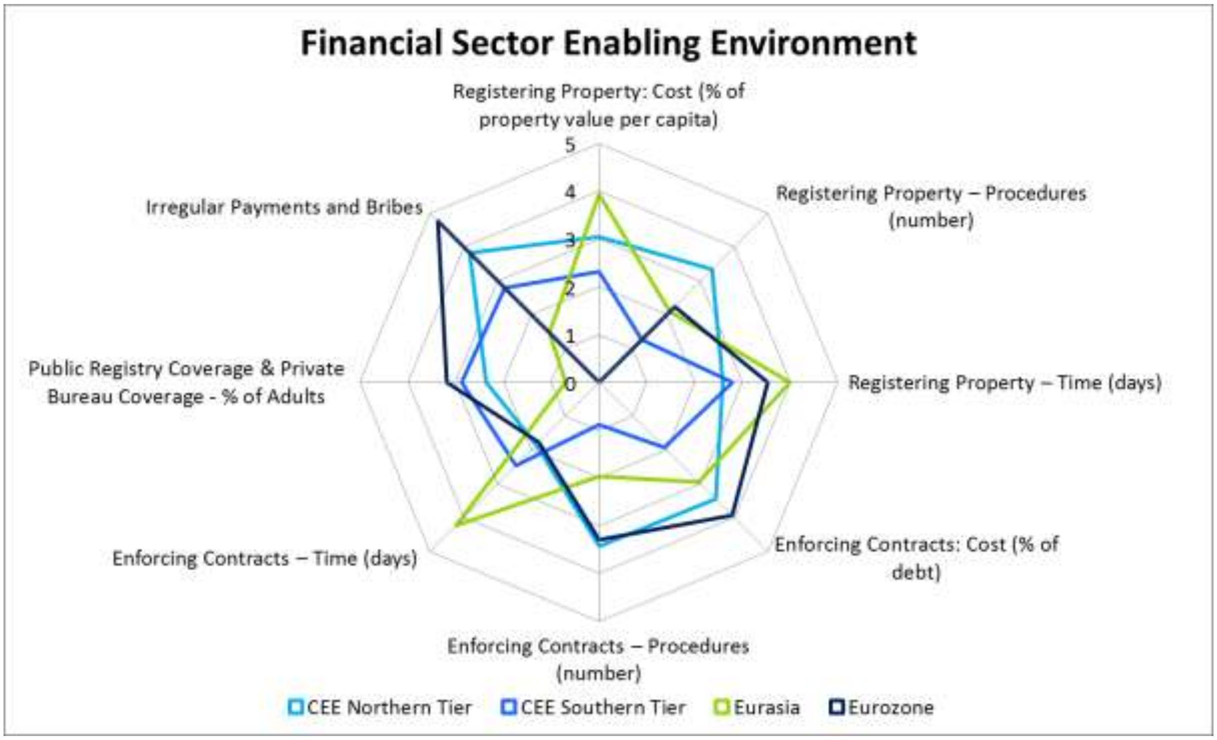


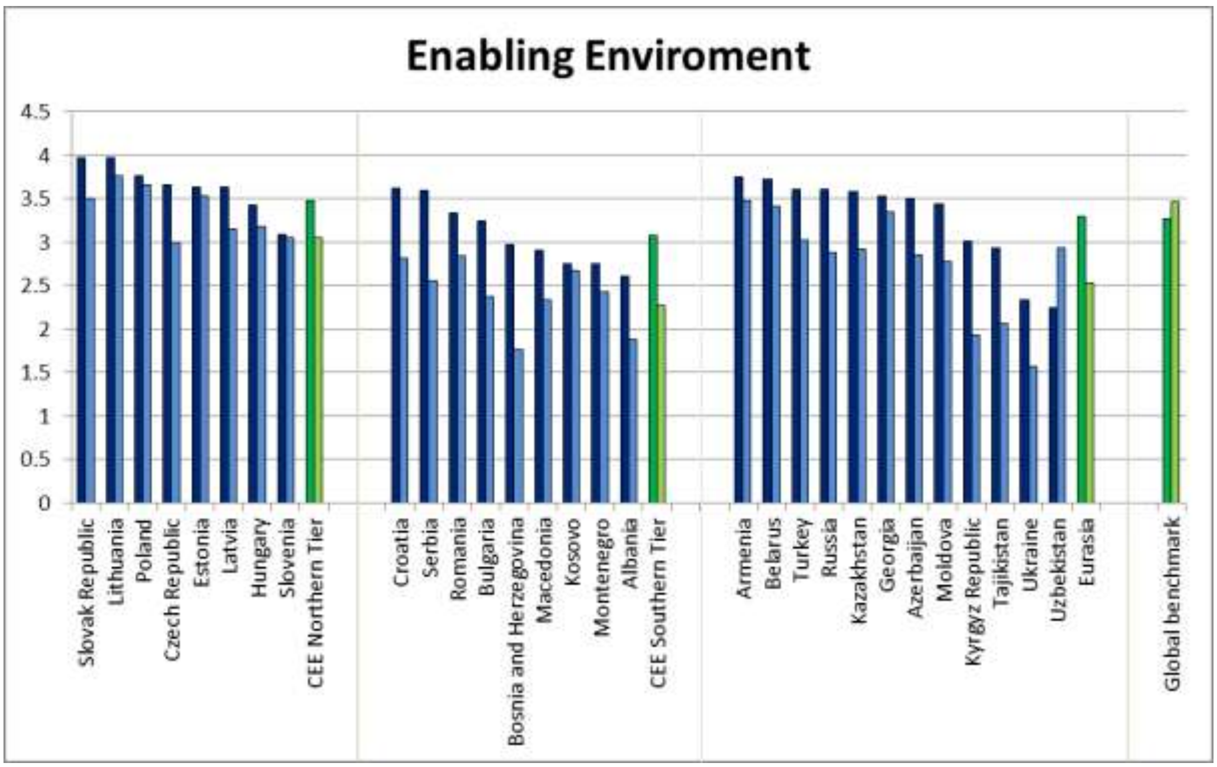
2.4. Access to Financial Services





2.5. Financial Sector Enabling Environment

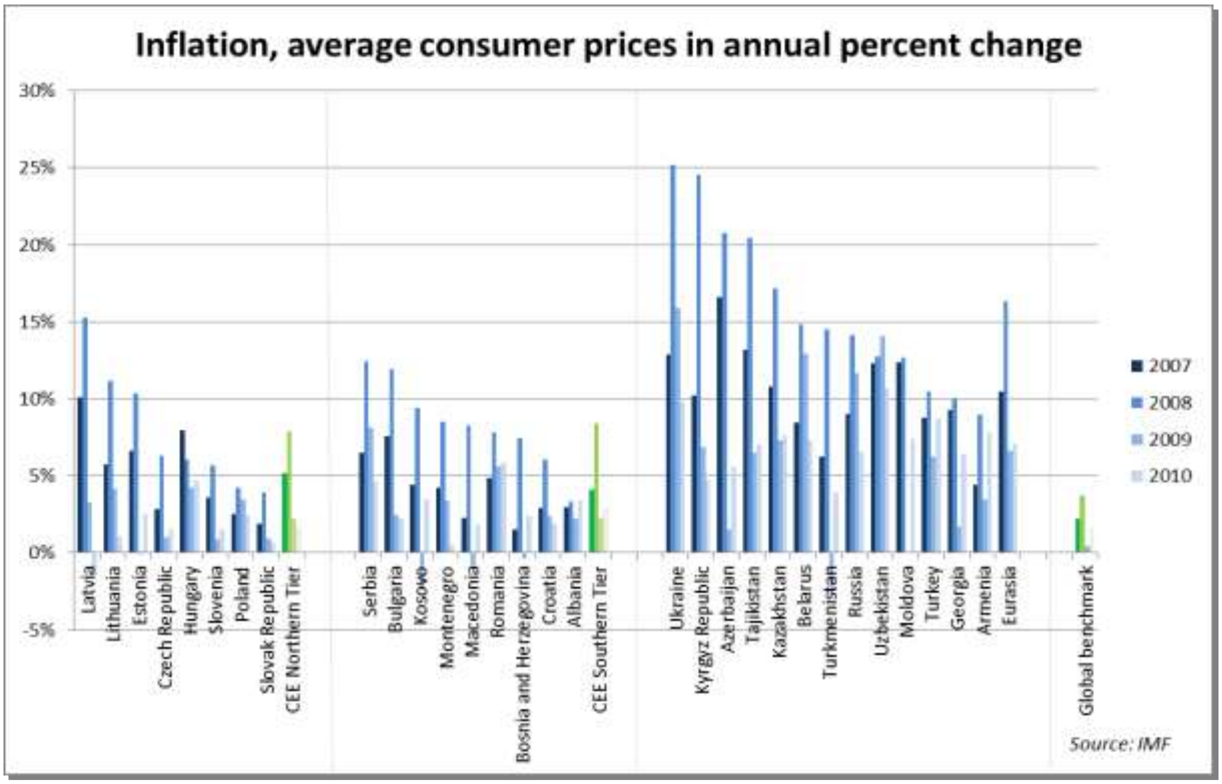


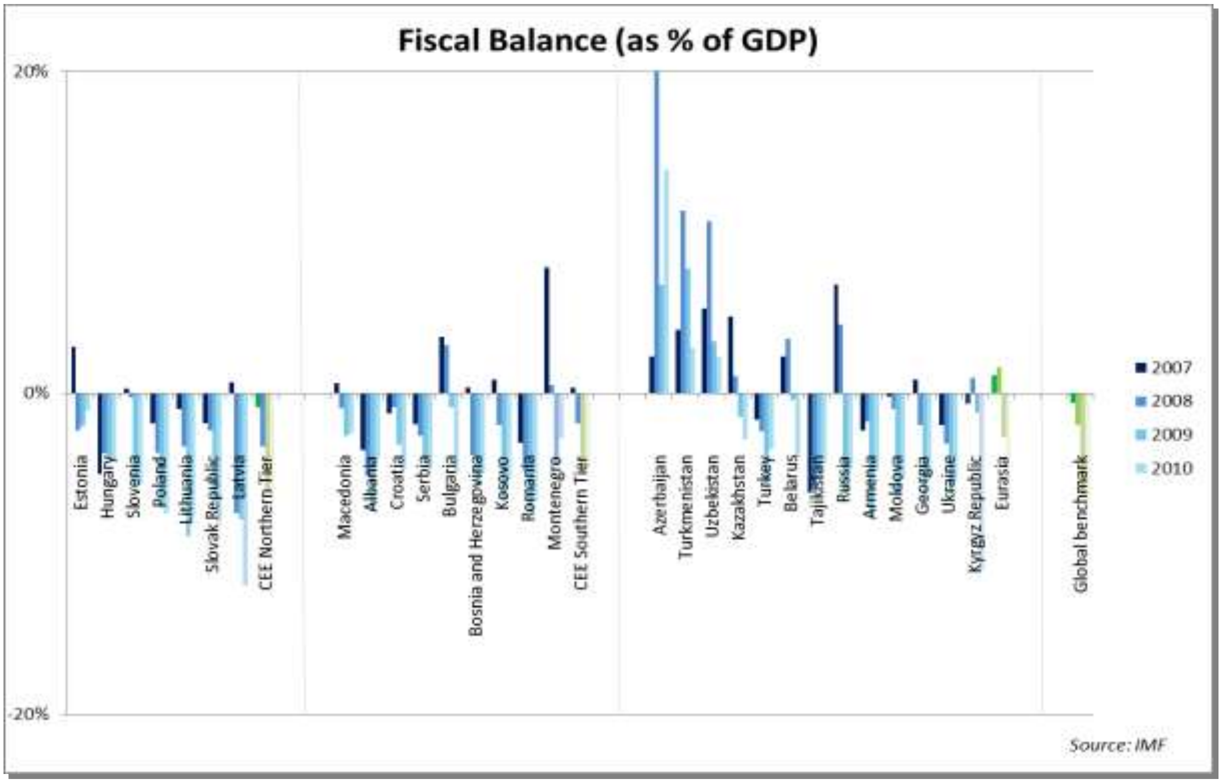


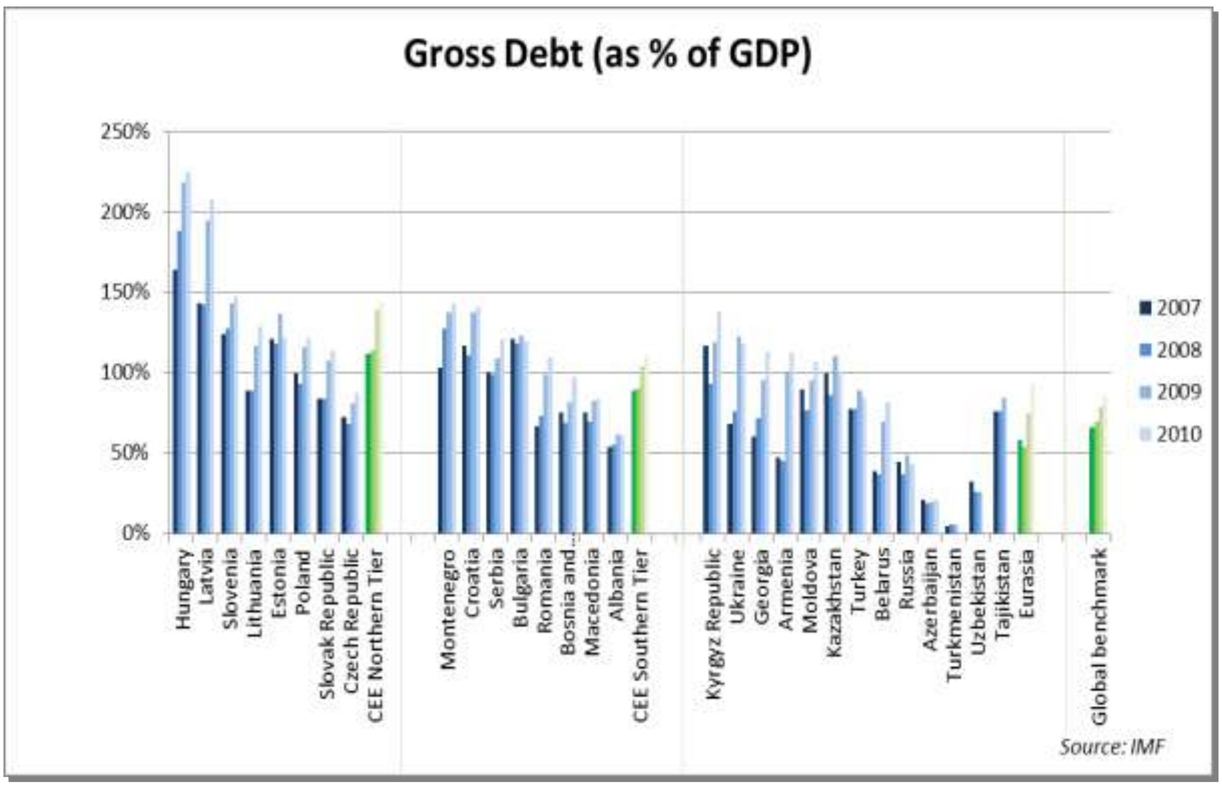
3. Financial Sector Benchmarking Indicators

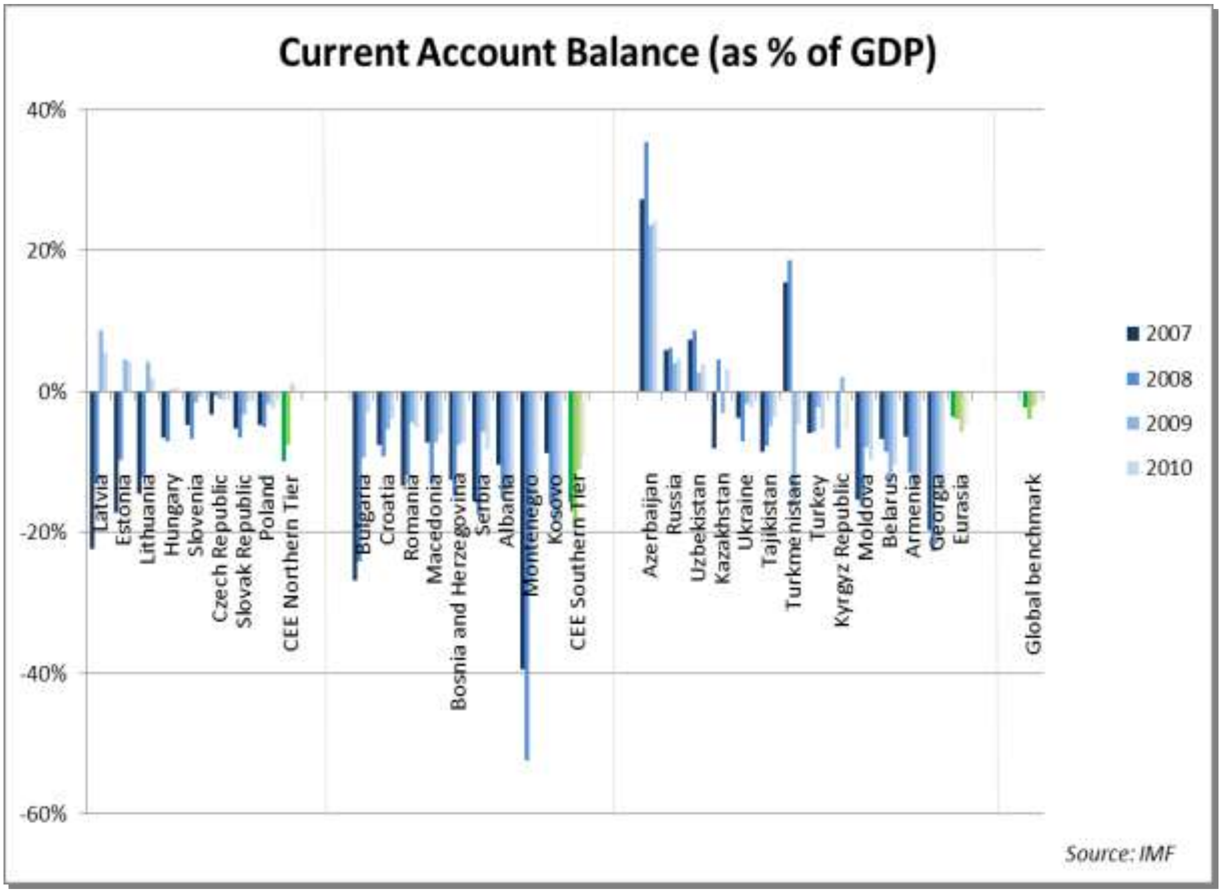
3.1. Macroeconomic and Financial Sector Stability

3.1.1. Macro Stability Benchmarking Indicators

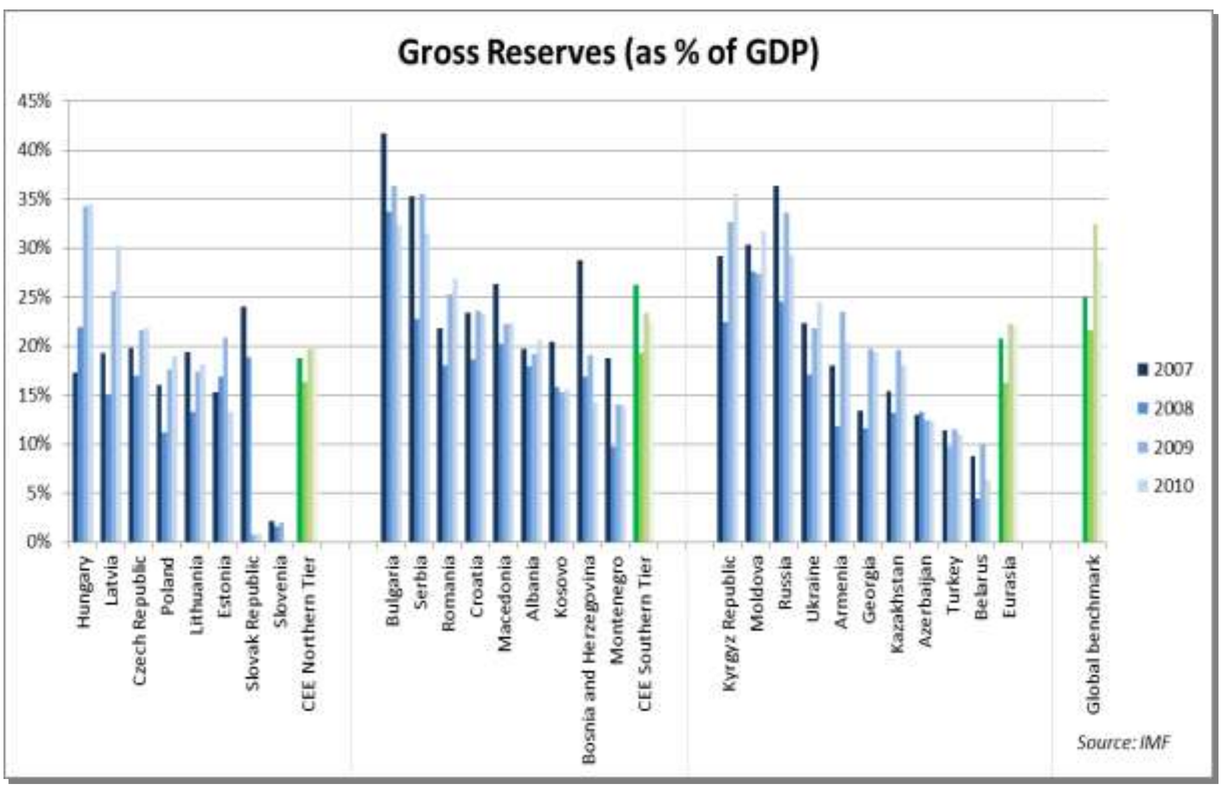



Fiscal Balance (as % of GDP)
20%
0%
-20%
Estonia
Hungary
Slovenia
Poland
Lithuania
Slovak Republic
Latvia
CEE Northern Tier
Macedonia
Albania
Croatia
Serbia
Bulgaria
Bosnia and Herzegovina
Kosovo
Romania
Montenegro
CEE Southern Tier
Azerbaijan
Turkmenistan
Uzbekistan
Kazakhstan
Turkey
Belarus
Tajikistan
Russia
Armenia
Moldova
Georgia
Ukraine
Kyrgyz Republic
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF


Gross Debt (as % of GDP)
250%
200%
150%
100%
50%
0%
Hungary
Latvia
Slovenia
Lithuania
Estonia
Poland
Slovak Republic
Czech Republic
CEE Northern Tier
Montenegro
Croatia
Serbia
Bulgaria
Romania
Bosnia and...
Macedonia
Albania
CEE Southern Tier
Kyrgyz Republic
Ukraine
Georgia
Armenia
Moldova
Kazakhstan
Turkey
Belarus
Russia
Azerbaijan
Turkmenistan
Uzbekistan
Tajikistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

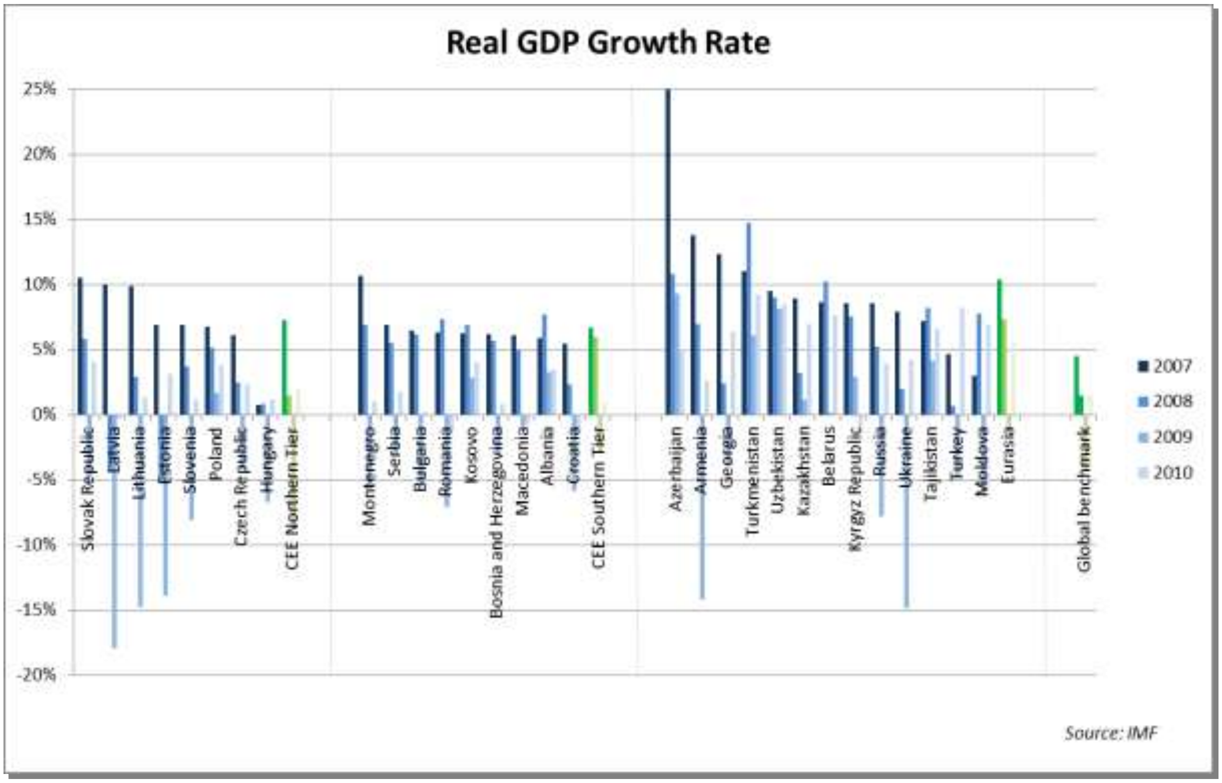


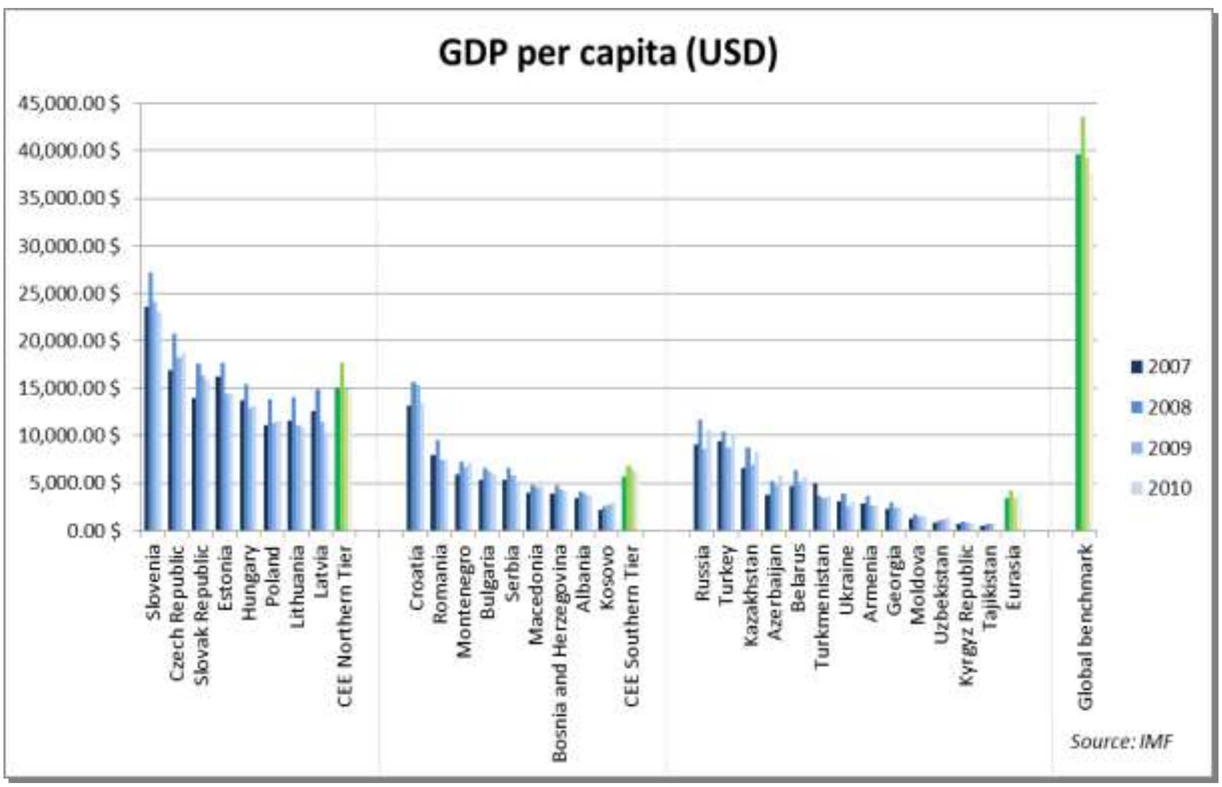
Current Account Balance (as % of GDP)
40%
20%
0%
-20%
-40%
-60%
Latvia
Estonia
Lithuania
Hungary
Slovenia
Czech Republic
Slovak Republic
Poland
CEE Northern Tier
Bulgaria
Croatia
Romania
Macedonia
Bosnia and Herzegovina
Serbia
Albania
Montenegro
Kosovo
CEE Southern Tier
Azerbaijan
Russia
Uzbekistan
Kazakhstan
Ukraine
Tajikistan
Turkmenistan
Turkey
Kyrgyz Republic
Moldova
Belarus
Armenia
Georgia
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

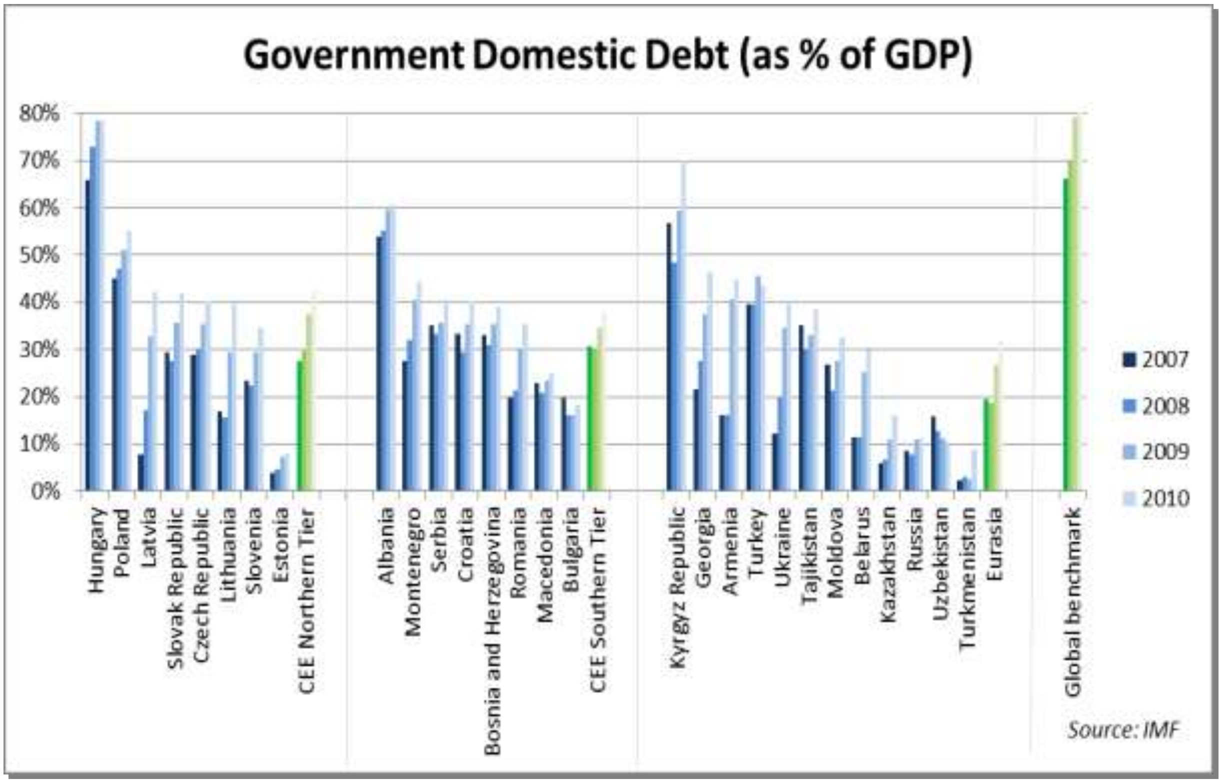


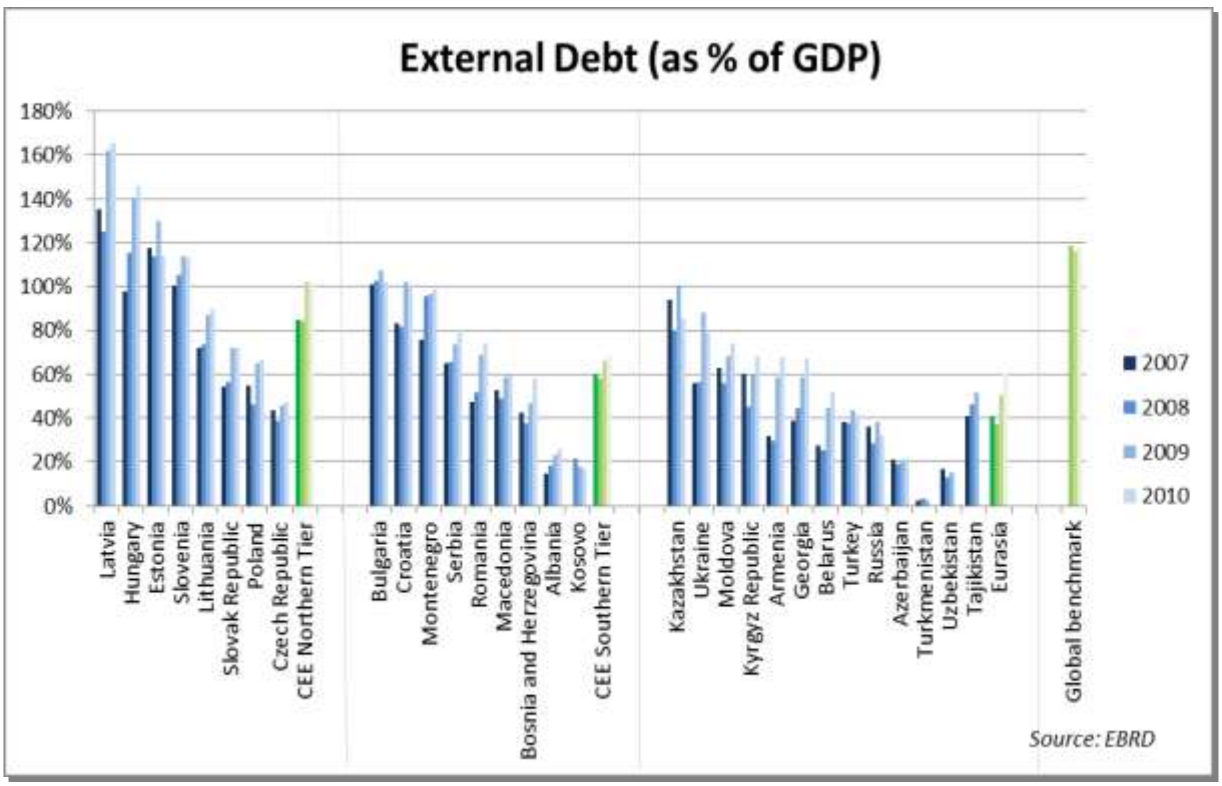
Gross Reserves (as % of GDP)
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Hungary
Latvia
Czech Republic
Poland
Lithuania
Estonia
Slovak Republic
Slovenia
CEE Northern Tier
Bulgaria
Serbia
Romania
Croatia
Macedonia
Albania
Kosovo
Bosnia and Herzegovina
Montenegro
CEE Southern Tier
Kyrgyz Republic
Moldova
Russia
Ukraine
Armenia
Georgia
Kazakhstan
Azerbaijan
Turkey
Belarus
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

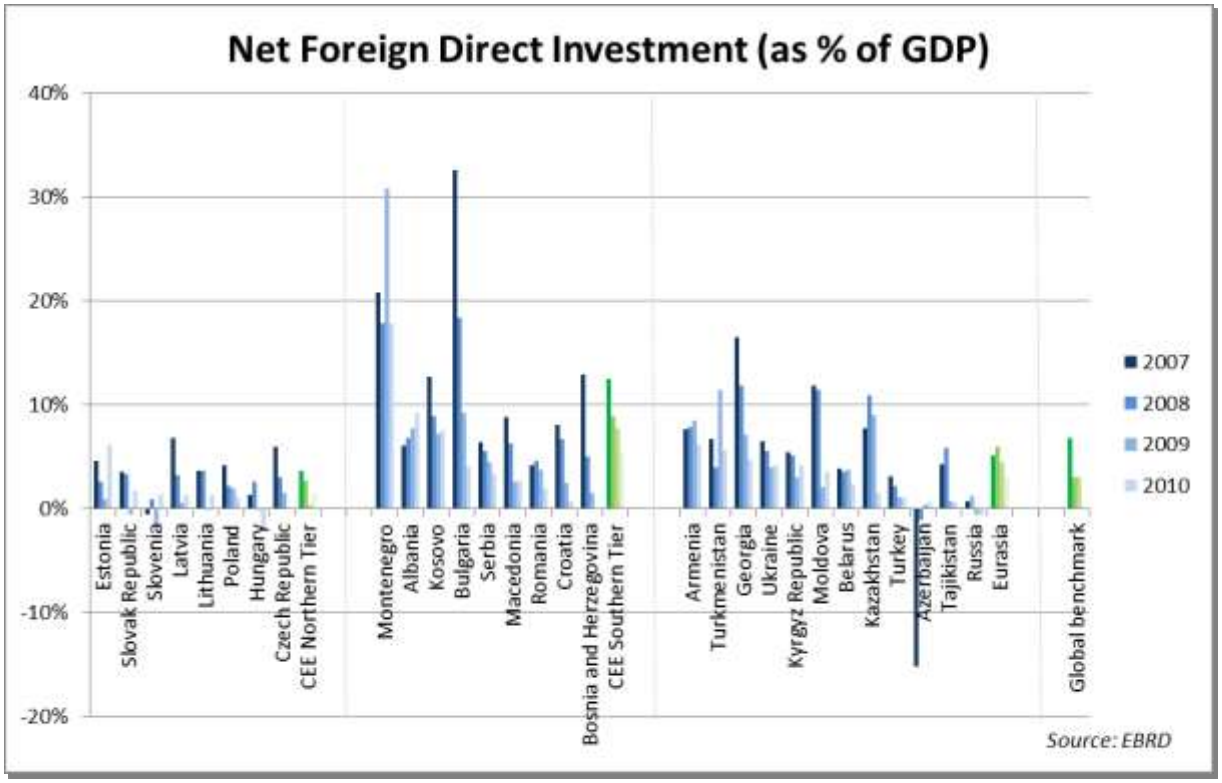
3.1.2. Other Macro Stability Indicators

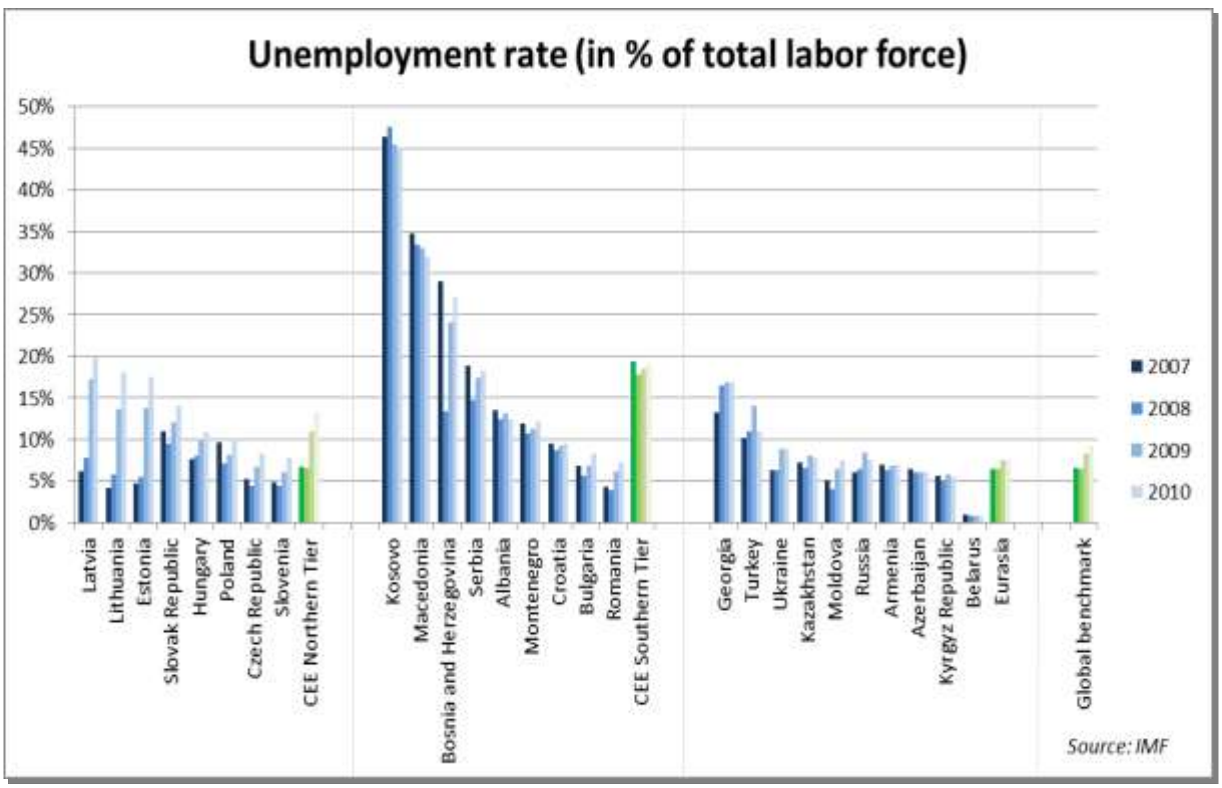




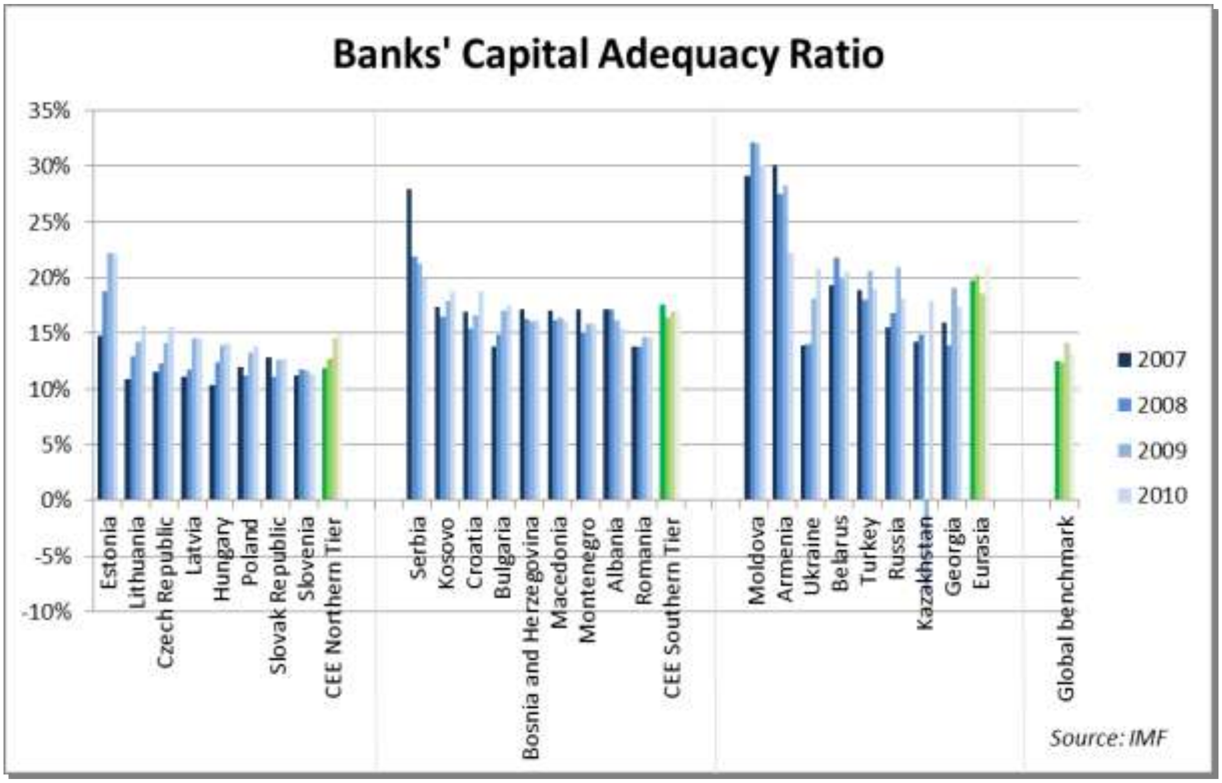

Government Domestic Debt (as % of GDP)
80%
70%
60%
50%
40%
30%
20%
10%
0%
Hungary
Poland
Latvia
Slovak Republic
Czech Republic
Lithuania
Slovenia
Estonia
CEE Northern Tier
Albania
Montenegro
Serbia
Croatia
Bosnia and Herzegovina
Romania
Macedonia
Bulgaria
CEE Southern Tier
Kyrgyz Republic
Georgia
Armenia
Turkey
Ukraine
Tajikistan
Moldova
Belarus
Kazakhstan
Russia
Uzbekistan
Turkmenistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

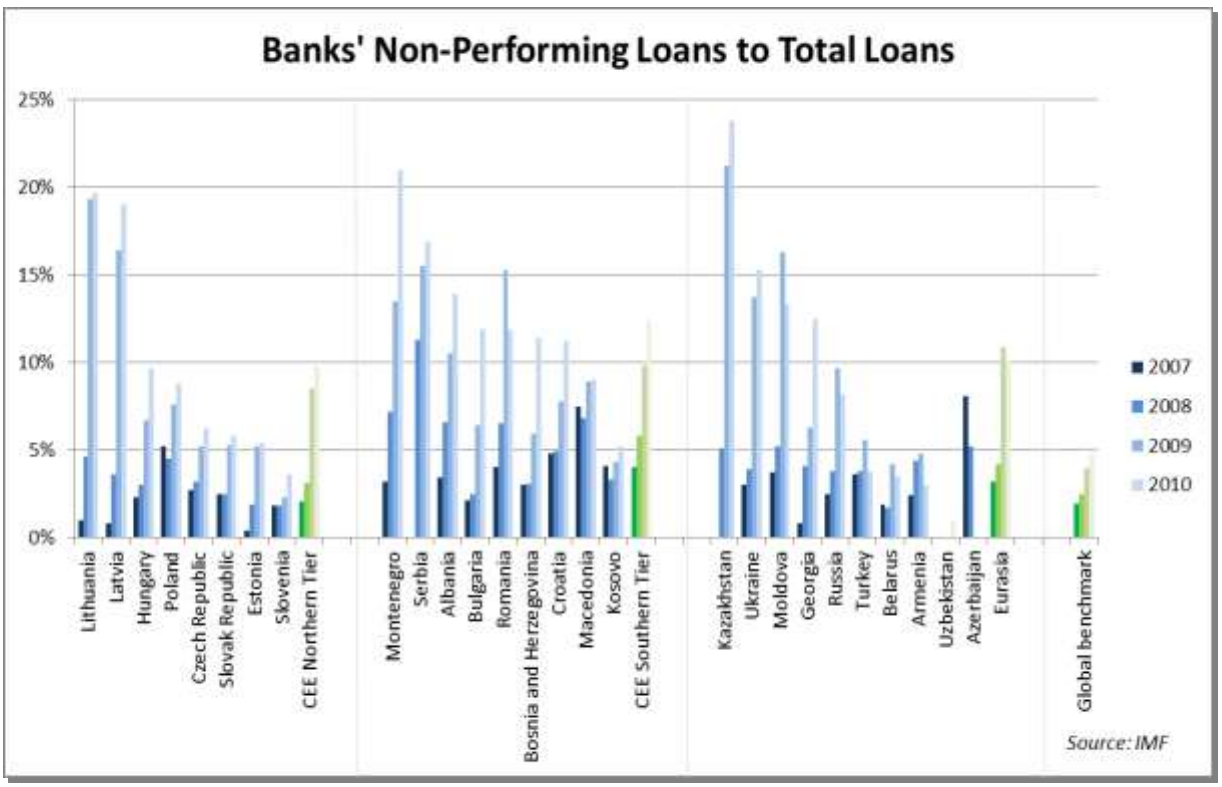

External Debt (as % of GDP)
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
Latvia
Hungary
Estonia
Slovenia
Lithuania
Slovak Republic
Poland
Czech Republic
CEE Northern Tier
Bulgaria
Croatia
Montenegro
Serbia
Romania
Macedonia
Bosnia and Herzegovina
Albania
Kosovo
CEE Southern Tier
Kazakhstan
Ukraine
Moldova
Kyrgyz Republic
Armenia
Georgia
Belarus
Turkey
Russia
Azerbaijan
Turkmenistan
Uzbekistan
Tajikistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: EBRD

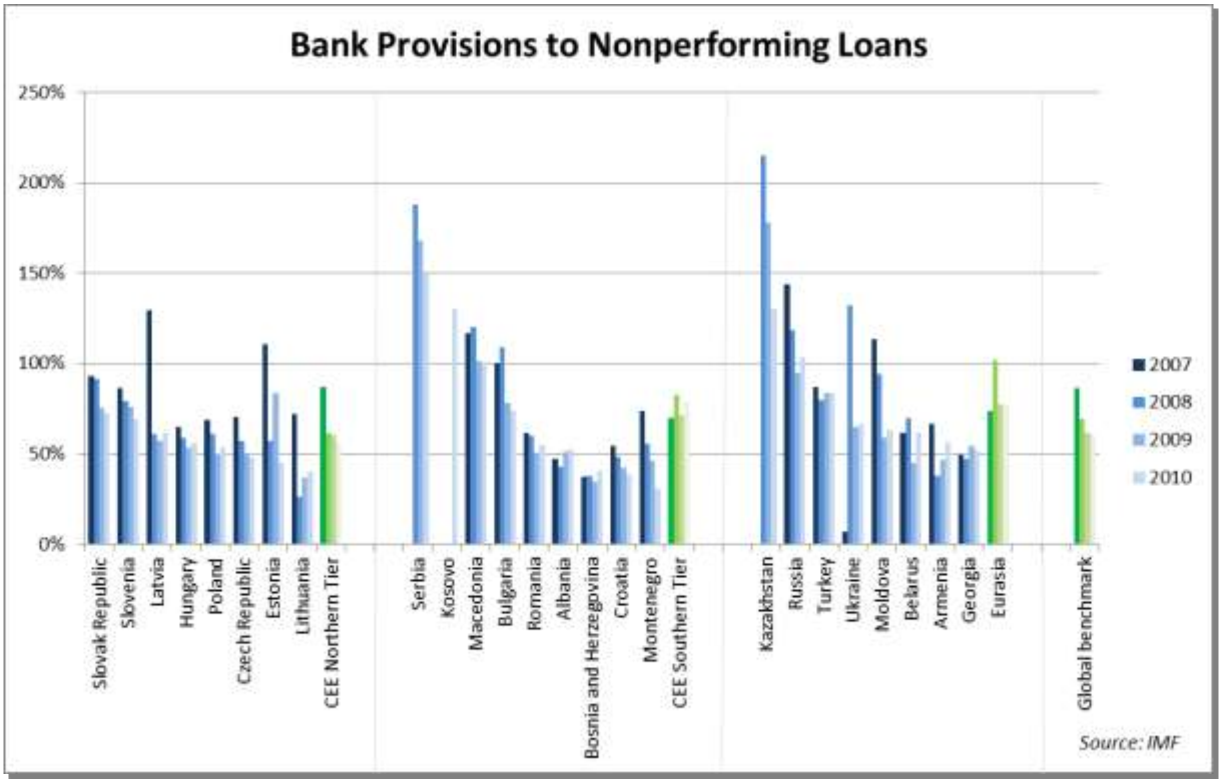

Net Foreign Direct Investment (as % of GDP)
40%
30%
20%
10%
0%
-10%
-20%
2007
2008
2009
2010
Estonia
Slovak Republic
Slovenia
Latvia
Lithuania
Poland
Hungary
Czech Republic
CEE Northern Tier
Montenegro
Albania
Kosovo
Bulgaria
Serbia
Macedonia
Romania
Croatia
Bosnia and Herzegovina
CEE Southern Tier
Armenia
Turkmenistan
Georgia
Ukraine
Kyrgyz Republic
Moldova
Belarus
Kazakhstan
Turkey
Azerbaijan
Tajikistan
Russia
Eurasia
Global benchmark
Source: EBRD


Unemployment rate (in % of total labor force)
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2007
2008
2009
2010
Latvia
Lithuania
Estonia
Slovak Republic
Hungary
Poland
Czech Republic
Slovenia
CEE Northern Tier
Kosovo
Macedonia
Bosnia and Herzegovina
Serbia
Albania
Montenegro
Croatia
Bulgaria
Romania
CEE Southern Tier
Georgia
Turkey
Ukraine
Kazakhstan
Moldova
Russia
Armenia
Azerbaijan
Kyrgyz Republic
Belarus
Eurasia
Global benchmark
Source: IMF

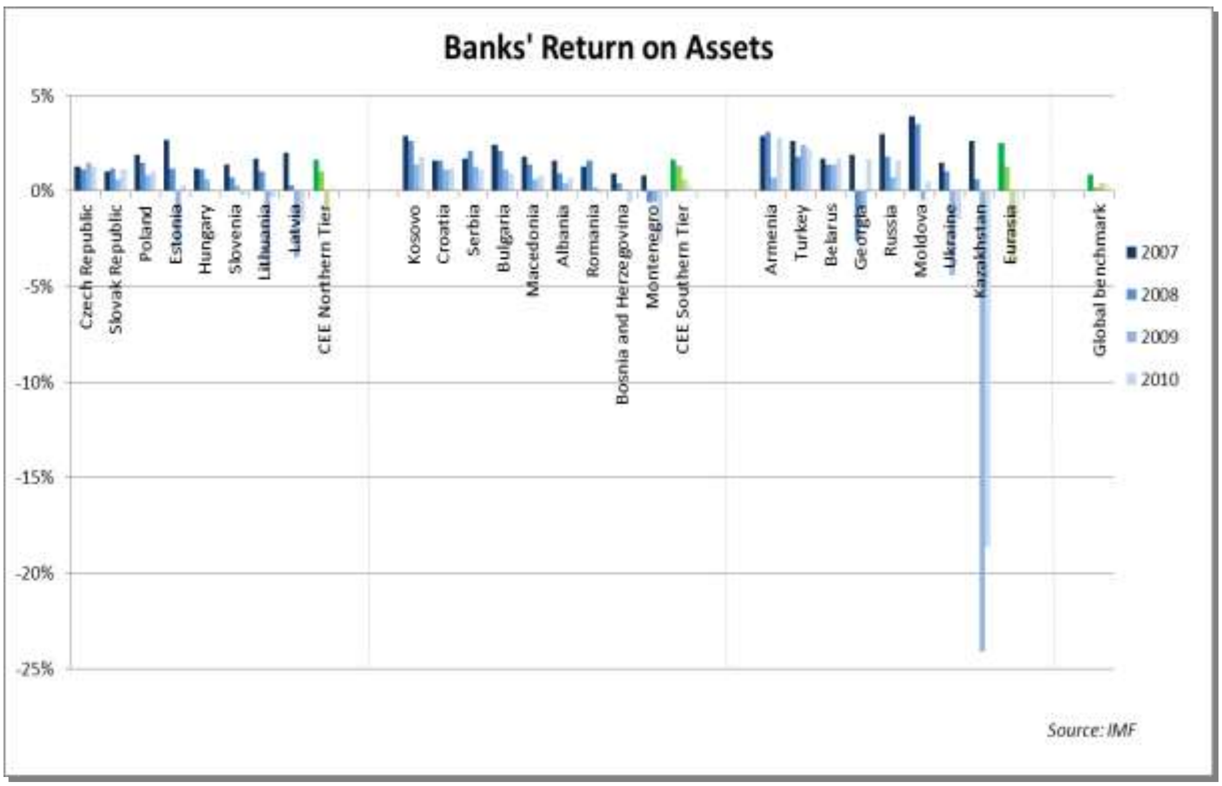
3.1.3. Financial Sector Stability Benchmarking Indicators



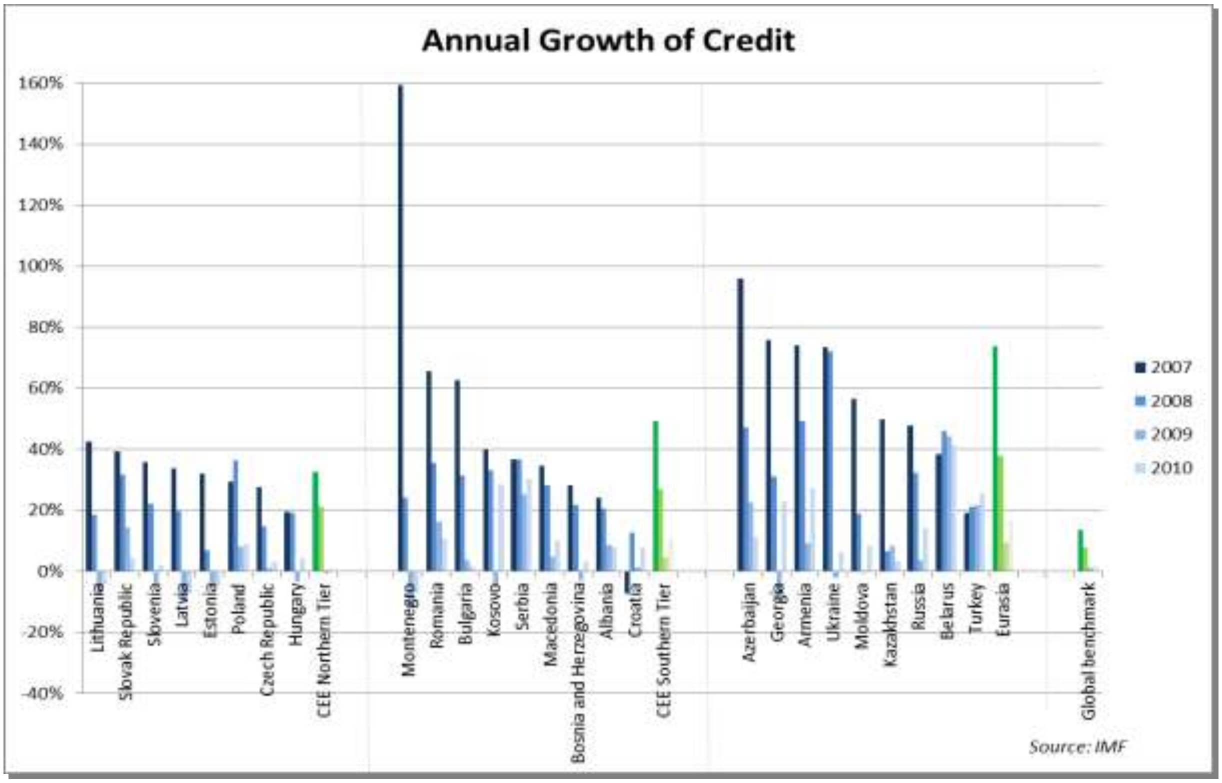




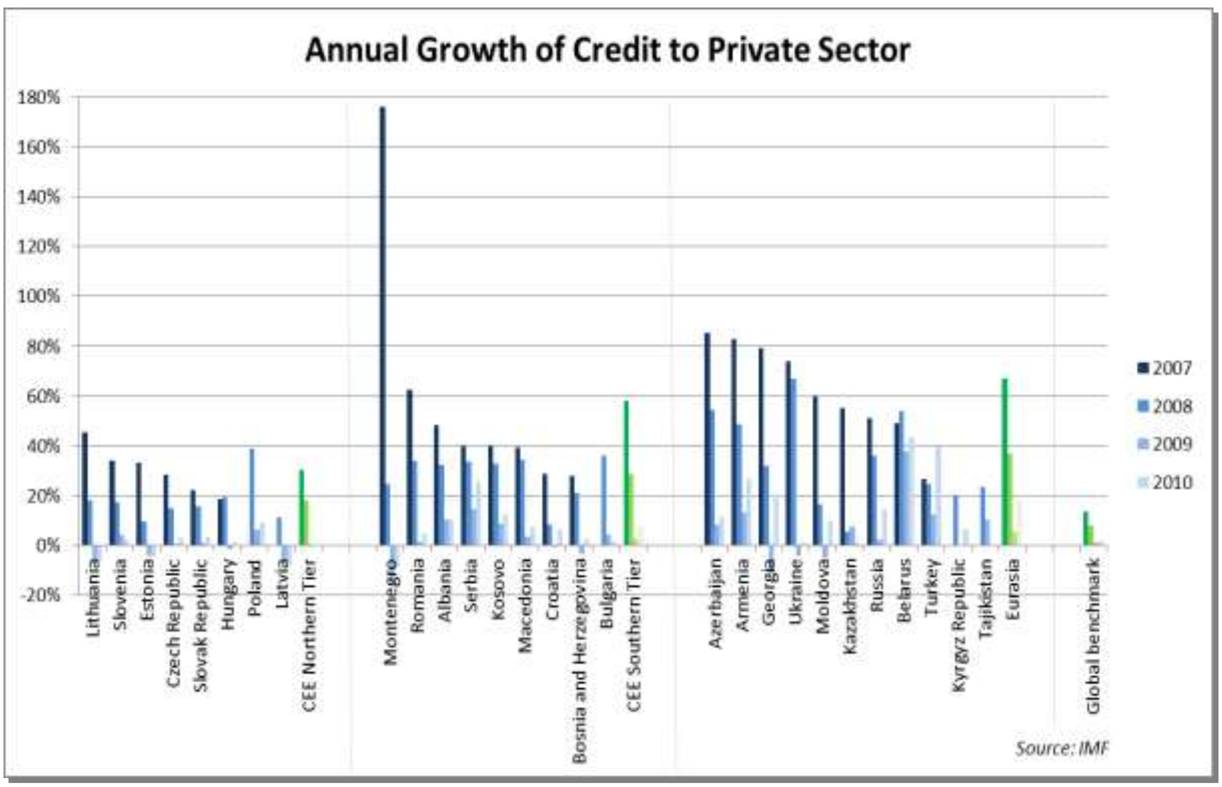
Bank Provisions to Nonperforming Loans
250%
200%
150%
100%
50%
0%
Slovak Republic
Slovenia
Latvia
Hungary
Poland
Czech Republic
Estonia
Lithuania
CEE Northern Tier
Serbia
Kosovo
Macedonia
Bulgaria
Romania
Albania
Bosnia and Herzegovina
Croatia
Montenegro
CEE Southern Tier
Kazakhstan
Russia
Turkey
Ukraine
Moldova
Belarus
Armenia
Georgia
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF



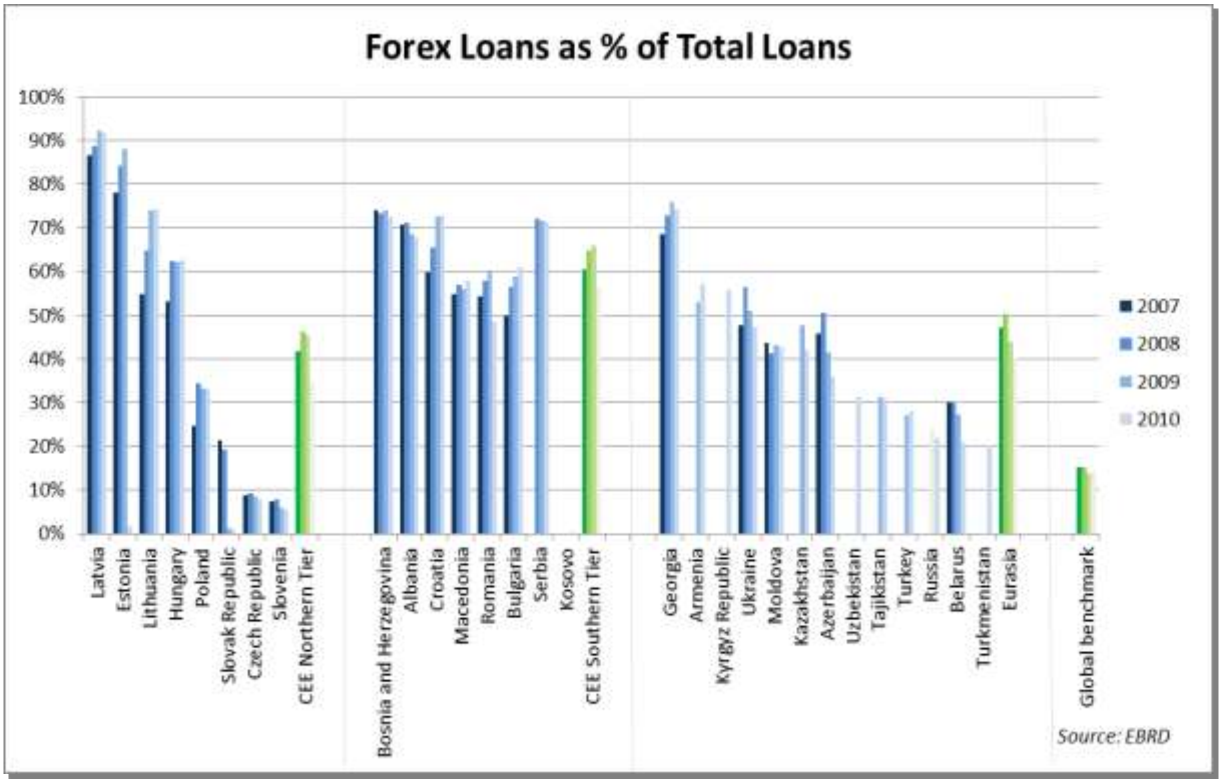
Banks' Return on Assets
5%
0%
-5%
-10%
-15%
-20%
-25%
Czech Republic
Slovak Republic
Poland
Estonia
Hungary
Slovenia
Lithuania
Latvia
CEE Northern Tier
Kosovo
Croatia
Serbia
Bulgaria
Macedonia
Albania
Romania
Bosnia and Herzegovina
Montenegro
CEE Southern Tier
Armenia
Turkey
Belarus
Georgia
Russia
Moldova
Ukraine
Kazakhstan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

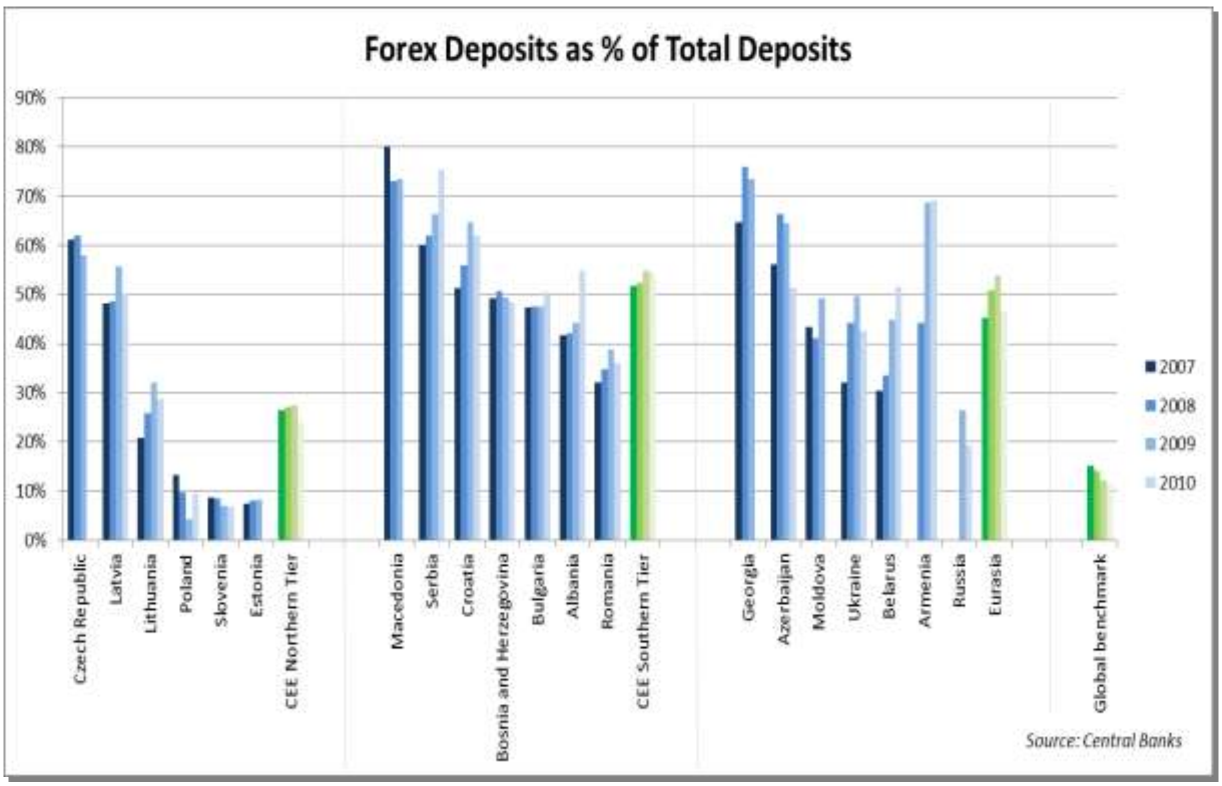


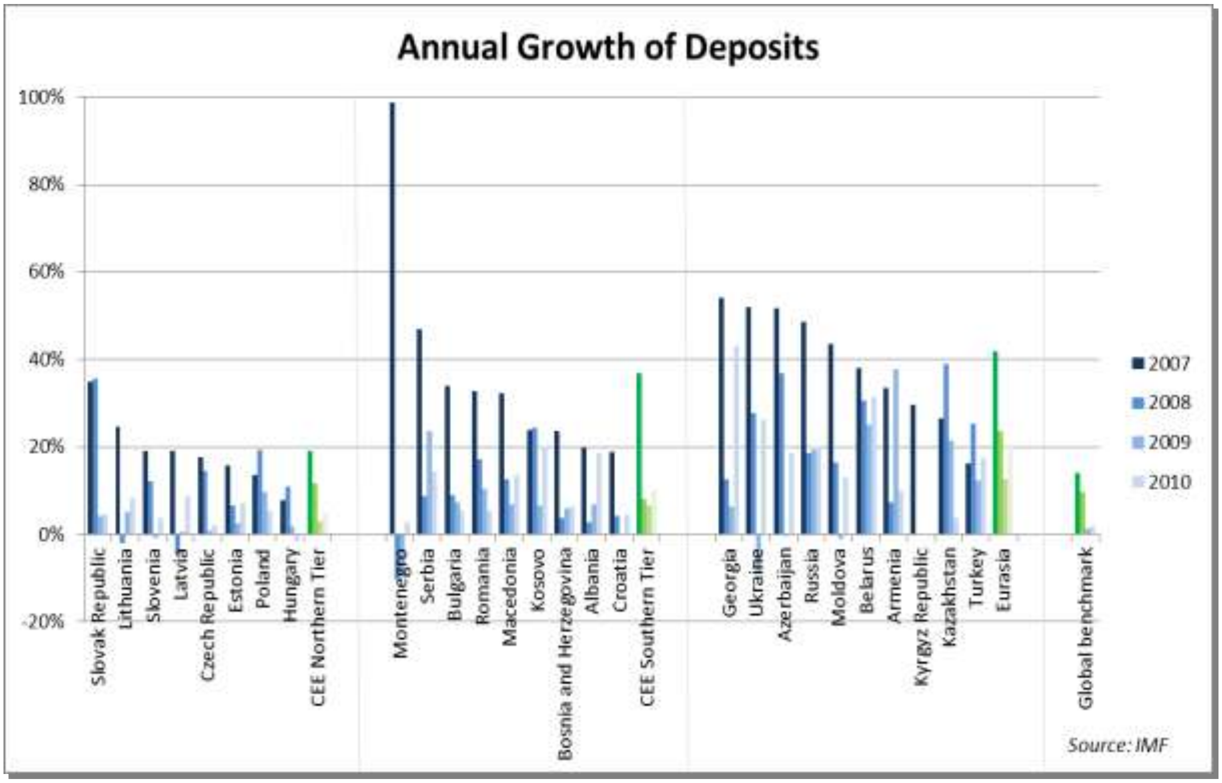
Annual Growth of Credit
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
-40%
Lithuania
Slovak Republic
Slovenia
Latvia
Estonia
Poland
Czech Republic
Hungary
CEE Northern Tier
Montenegro
Romania
Bulgaria
Kosovo
Serbia
Macedonia
Bosnia and Herzegovina
Albania
Croatia
CEE Southern Tier
Azerbaijan
Georgia
Armenia
Ukraine
Moldova
Kazakhstan
Russia
Belarus
Turkey
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

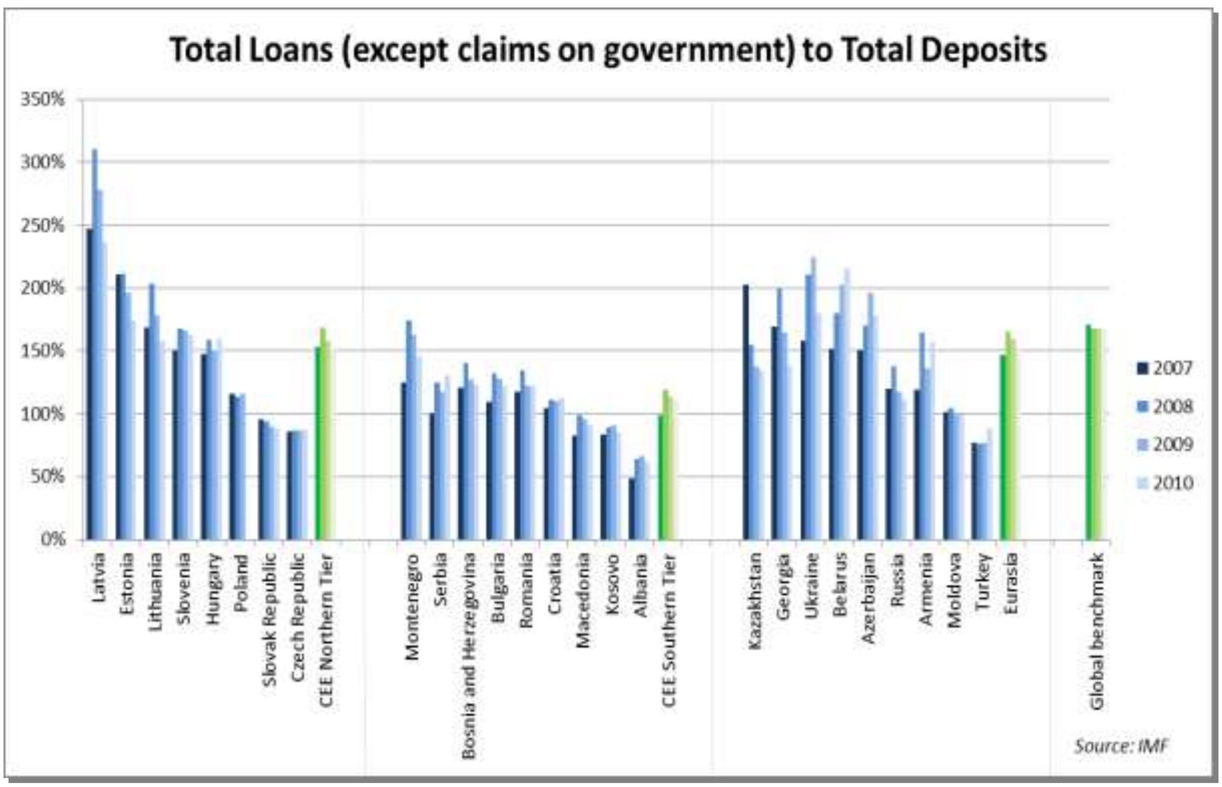


Annual Growth of Credit to Private Sector
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
Lithuania
Slovenia
Estonia
Czech Republic
Slovak Republic
Hungary
Poland
Latvia
CEE Northern Tier
Montenegro
Romania
Albania
Serbia
Kosovo
Macedonia
Croatia
Bosnia and Herzegovina
Bulgaria
CEE Southern Tier
Azerbaijan
Armenia
Georgia
Ukraine
Moldova
Kazakhstan
Russia
Belarus
Turkey
Kyrgyz Republic
Tajikistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF

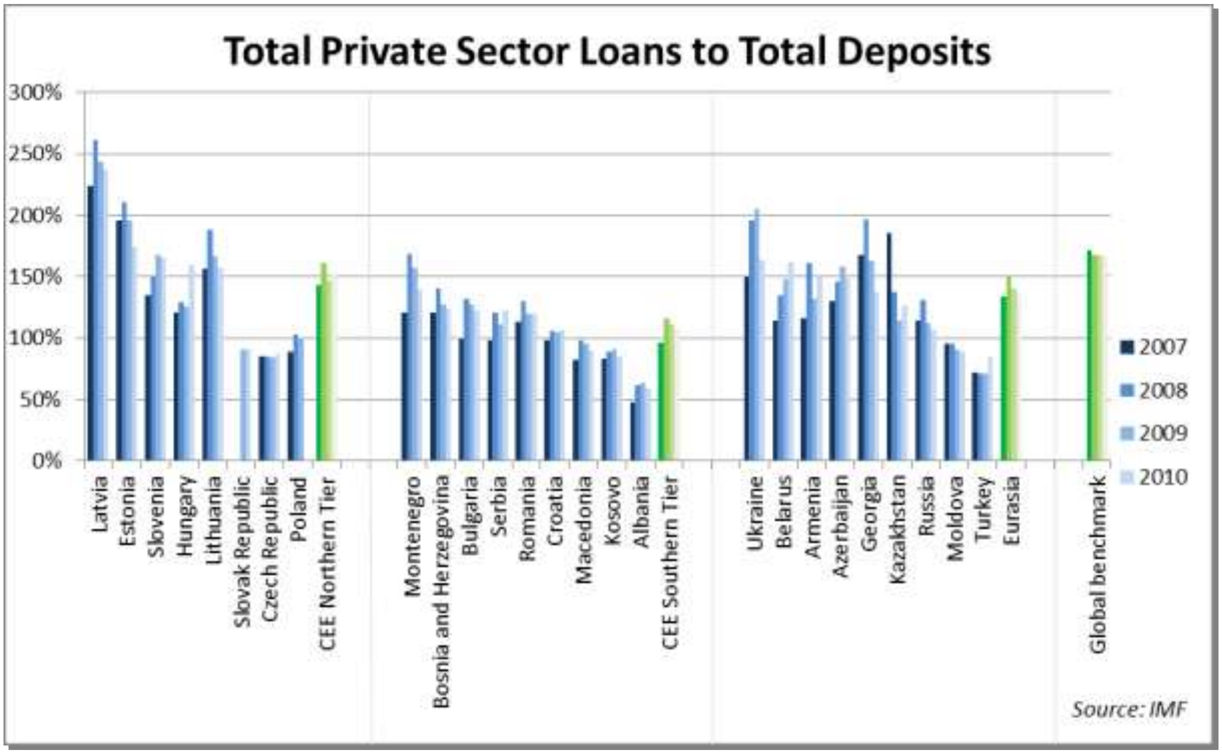

Forex Loans as % of Total Loans
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2007
2008
2009
2010
Latvia
Estonia
Lithuania
Hungary
Poland
Slovak Republic
Czech Republic
Slovenia
CEE Northern Tier
Bosnia and Herzegovina
Albania
Croatia
Macedonia
Romania
Bulgaria
Serbia
Kosovo
CEE Southern Tier
Georgia
Armenia
Kyrgyz Republic
Ukraine
Moldova
Kazakhstan
Azerbaijan
Uzbekistan
Tajikistan
Turkey
Russia
Belarus
Turkmenistan
Eurasia
Global benchmark
Source: EBRD


Forex Deposits as % of Total Deposits
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2007
2008
2009
2010
Czech Republic
Latvia
Lithuania
Poland
Slovenia
Estonia
CEE Northern Tier
Macedonia
Serbia
Croatia
Bosnia and Herzegovina
Bulgaria
Albania
Romania
CEE Southern Tier
Georgia
Azerbaijan
Moldova
Ukraine
Belarus
Armenia
Russia
Eurasia
Global benchmark
Source: Central Banks


Annual Growth of Deposits
100%
80%
60%
40%
20%
0%
-20%
2007
2008
2009
2010
Slovak Republic
Lithuania
Slovenia
Latvia
Czech Republic
Estonia
Poland
Hungary
CEE Northern Tier
Montenegro
Serbia
Bulgaria
Romania
Macedonia
Kosovo
Bosnia and Herzegovina
Albania
Croatia
CEE Southern Tier
Georgia
Ukraine
Azerbaijan
Russia
Moldova
Belarus
Armenia
Kyrgyz Republic
Kazakhstan
Turkey
Eurasia
Global benchmark
Source: IMF

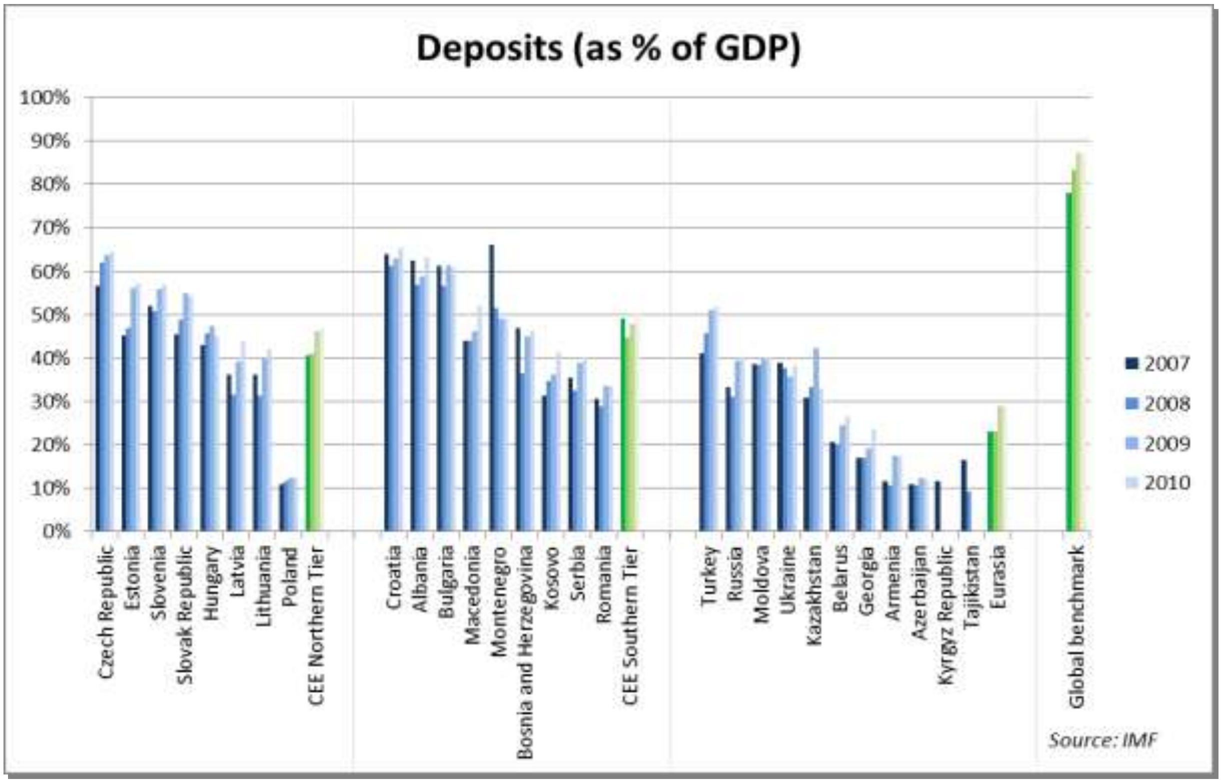

Total Loans (except claims on government) to Total Deposits
350%
300%
250%
200%
150%
100%
50%
0%
2007
2008
2009
2010
Latvia
Estonia
Lithuania
Slovenia
Hungary
Poland
Slovak Republic
Czech Republic
CEE Northern Tier
Montenegro
Serbia
Bosnia and Herzegovina
Bulgaria
Romania
Croatia
Macedonia
Kosovo
Albania
CEE Southern Tier
Kazakhstan
Georgia
Ukraine
Belarus
Azerbaijan
Russia
Armenia
Moldova
Turkey
Eurasia
Global benchmark
Source: IMF

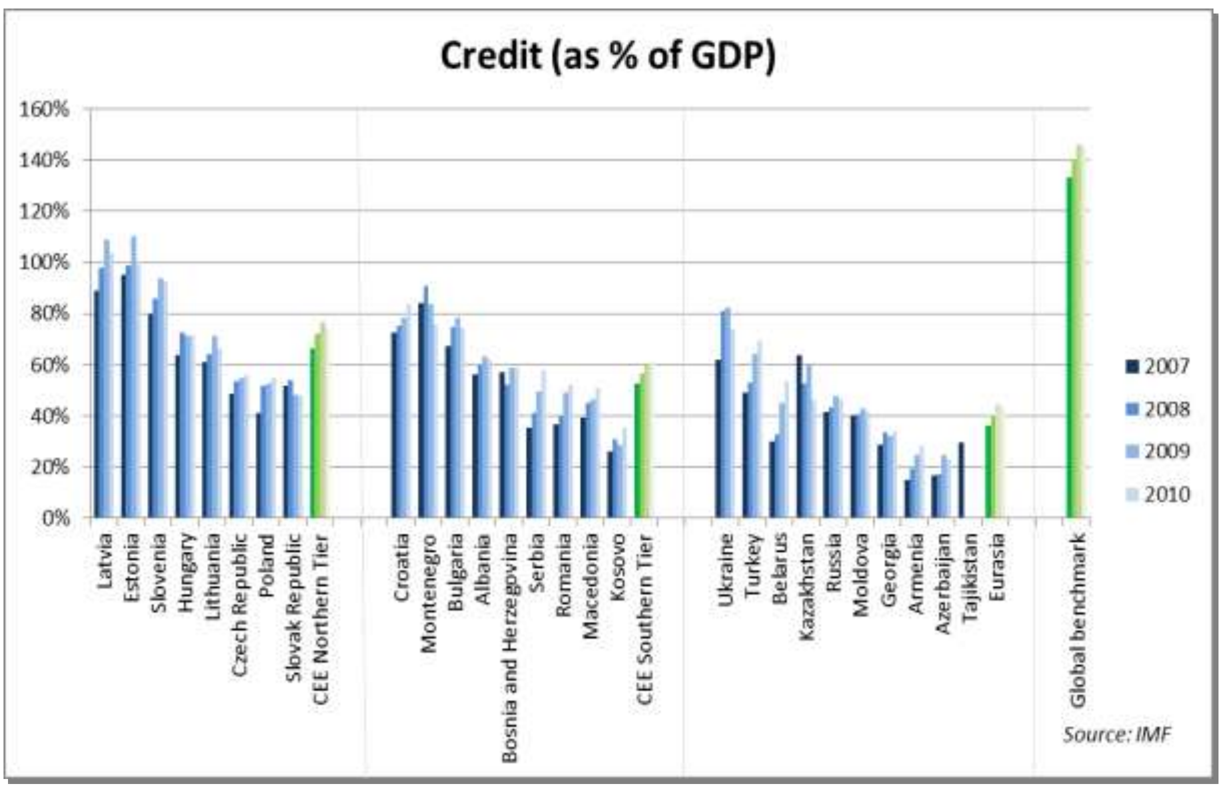
3.1.4. Other Financial Sector Stability Indicators

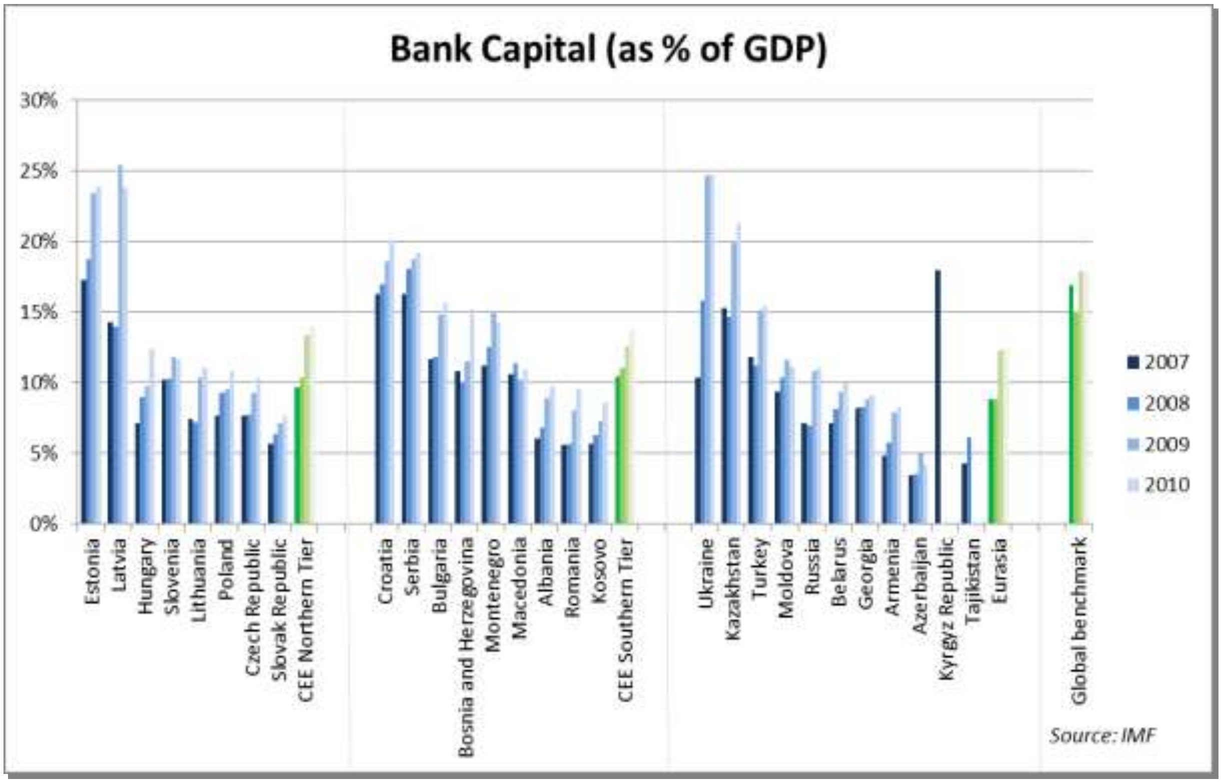


3.2. Financial Sector Size

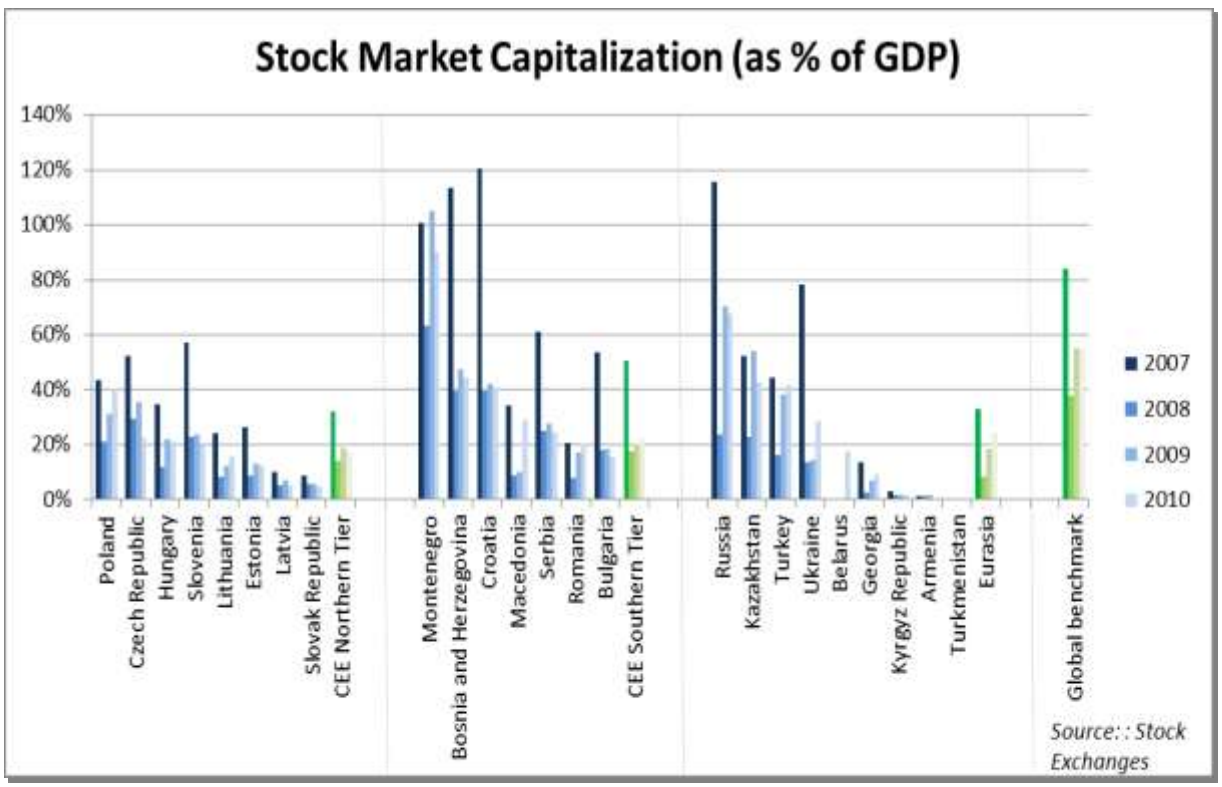
3.2.1. Financial Sector Size Benchmarking Indicators



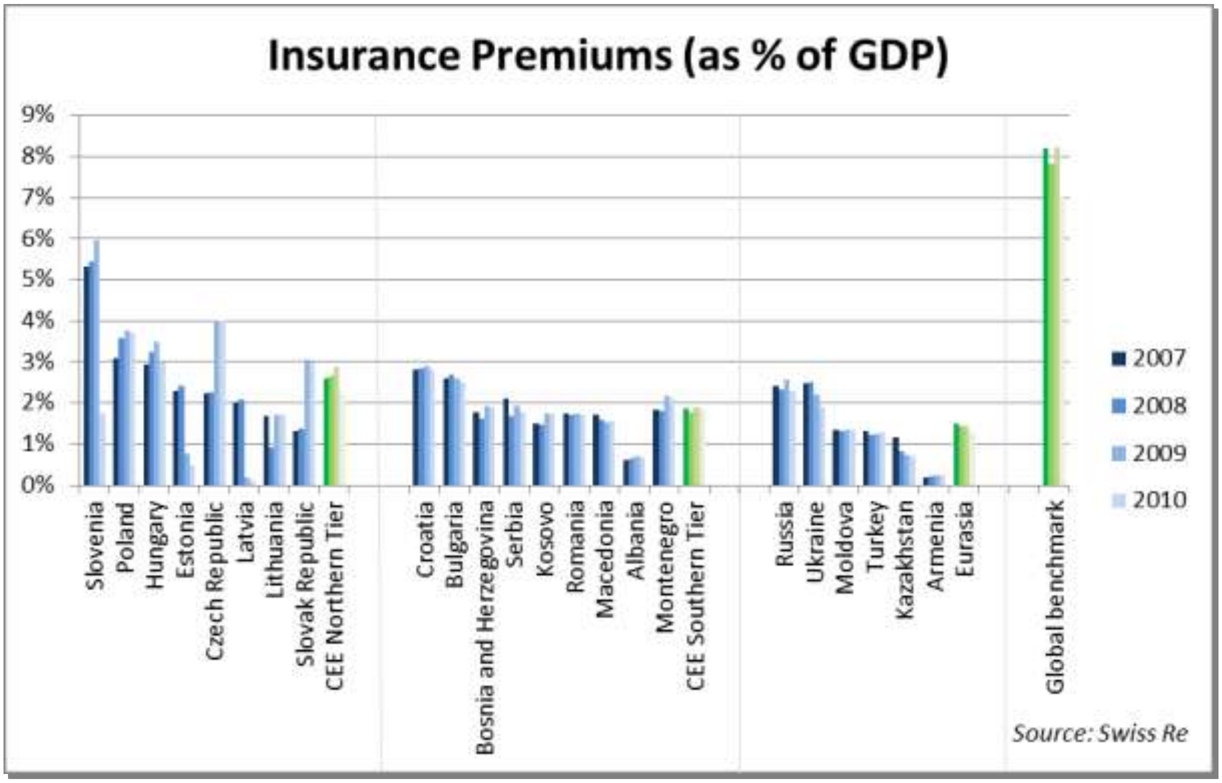




Bank Capital (as % of GDP)
30%
25%
20%
15%
10%
5%
0%
Estonia
Latvia
Hungary
Slovenia
Lithuania
Poland
Czech Republic
Slovak Republic
CEE Northern Tier
Croatia
Serbia
Bulgaria
Bosnia and Herzegovina
Montenegro
Macedonia
Albania
Romania
Kosovo
CEE Southern Tier
Ukraine
Kazakhstan
Turkey
Moldova
Russia
Belarus
Georgia
Armenia
Azerbaijan
Kyrgyz Republic
Tajikistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: IMF



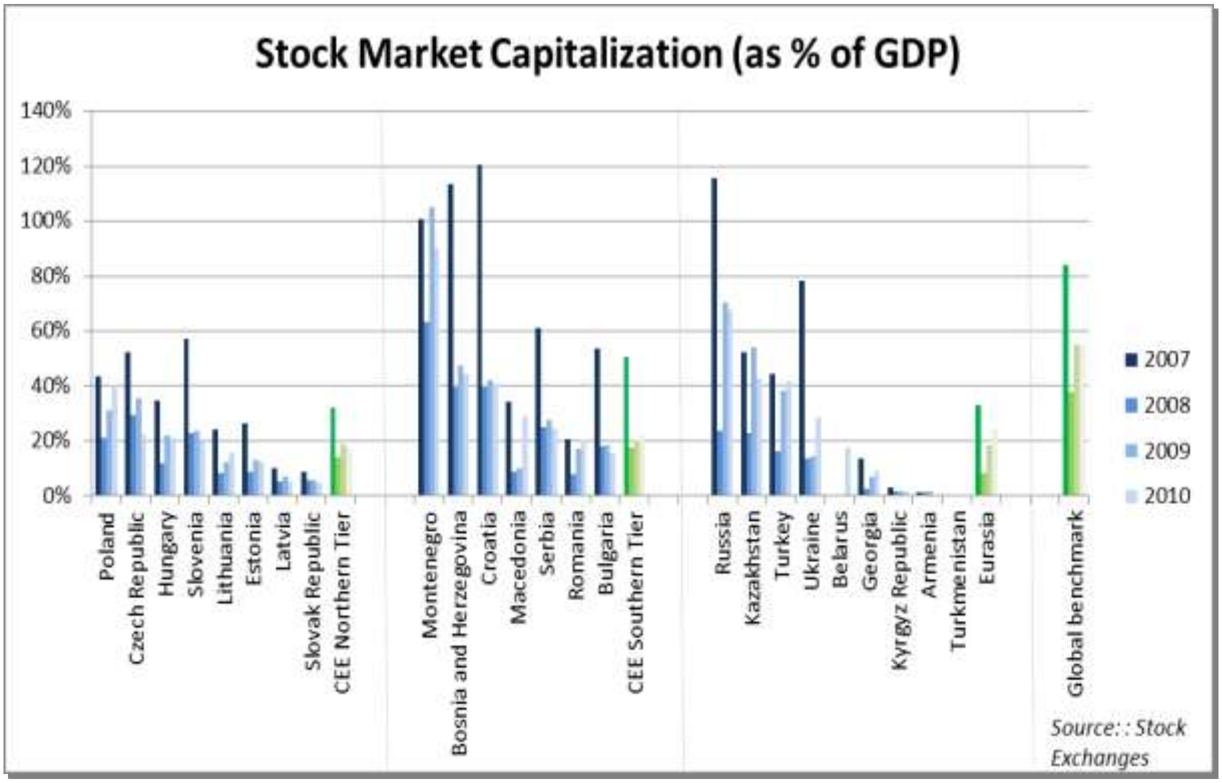
Stock Market Capitalization (as % of GDP)
140%
120%
100%
80%
60%
40%
20%
0%
Poland
Czech Republic
Hungary
Slovenia
Lithuania
Estonia
Latvia
Slovak Republic
CEE Northern Tier
Montenegro
Bosnia and Herzegovina
Croatia
Macedonia
Serbia
Romania
Bulgaria
CEE Southern Tier
Russia
Kazakhstan
Turkey
Ukraine
Belarus
Georgia
Kyrgyz Republic
Armenia
Turkmenistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: : Stock Exchanges

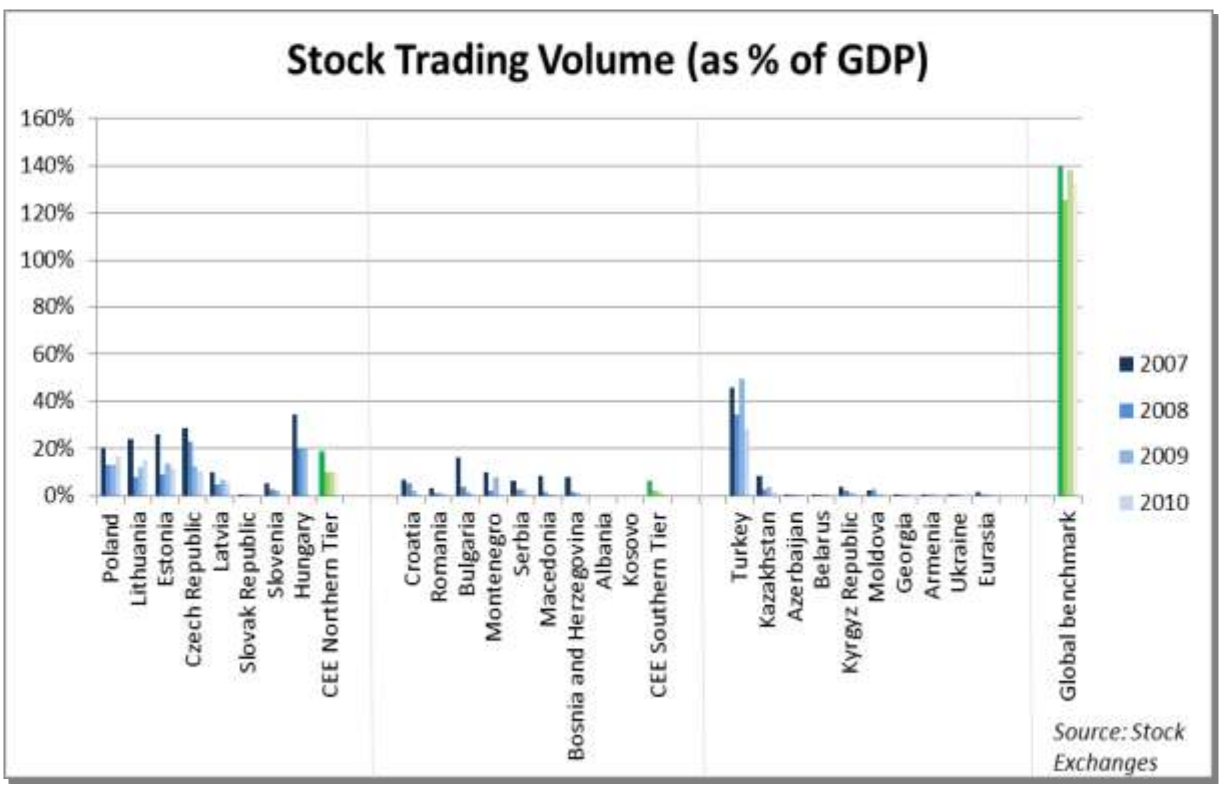


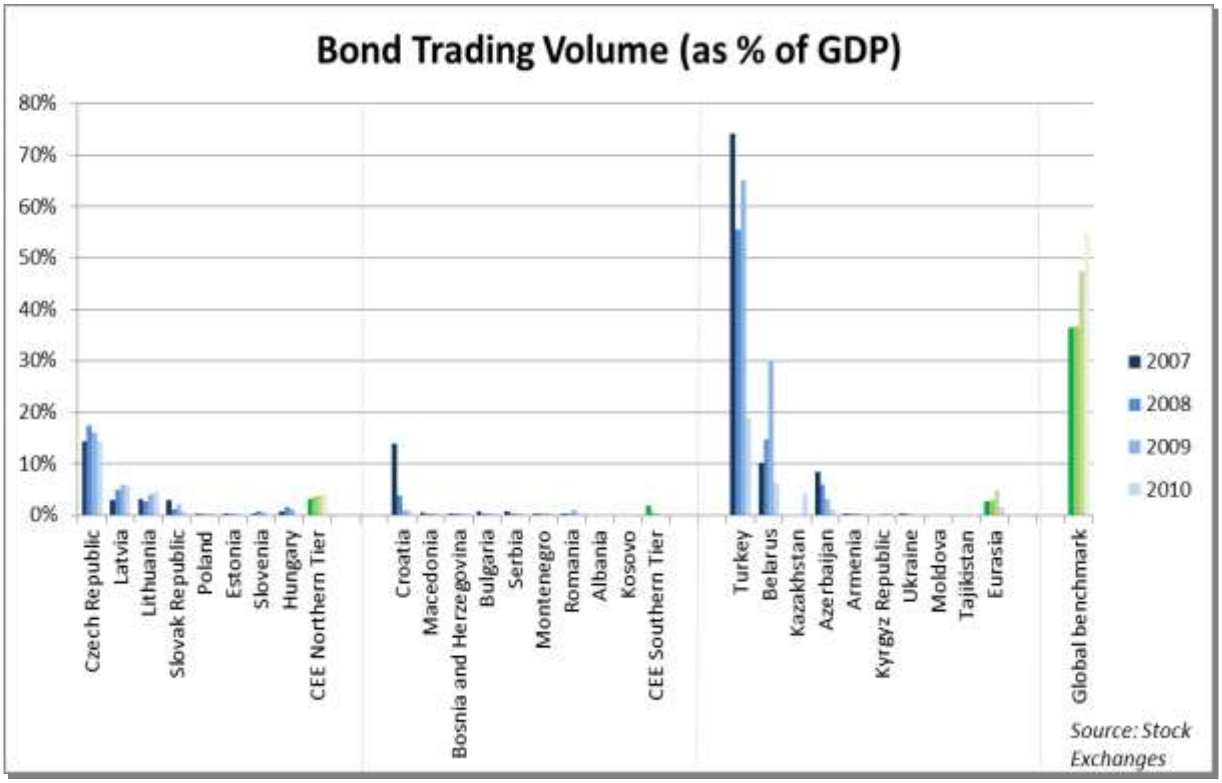
Insurance Premiums (as % of GDP)
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Slovenia
Poland
Hungary
Estonia
Czech Republic
Latvia
Lithuania
Slovak Republic
CEE Northern Tier
Croatia
Bulgaria
Bosnia and Herzegovina
Serbia
Kosovo
Romania
Macedonia
Albania
Montenegro
CEE Southern Tier
Russia
Ukraine
Moldova
Turkey
Kazakhstan
Armenia
Eurasia
Global benchmark
2007
2008
2009
2010
Source: Swiss Re

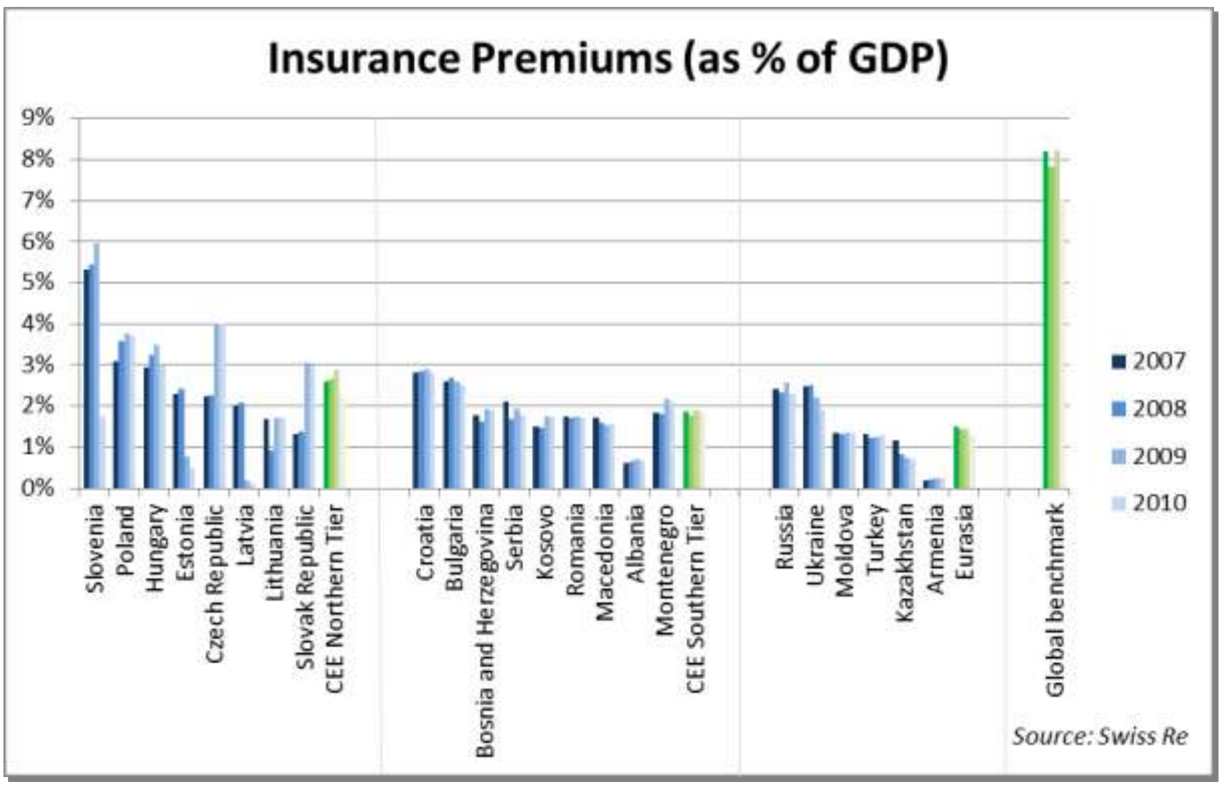
3.3. Sophistication of Financial Services

3.3.1. Financial Sector Sophistication Benchmarking Indicators

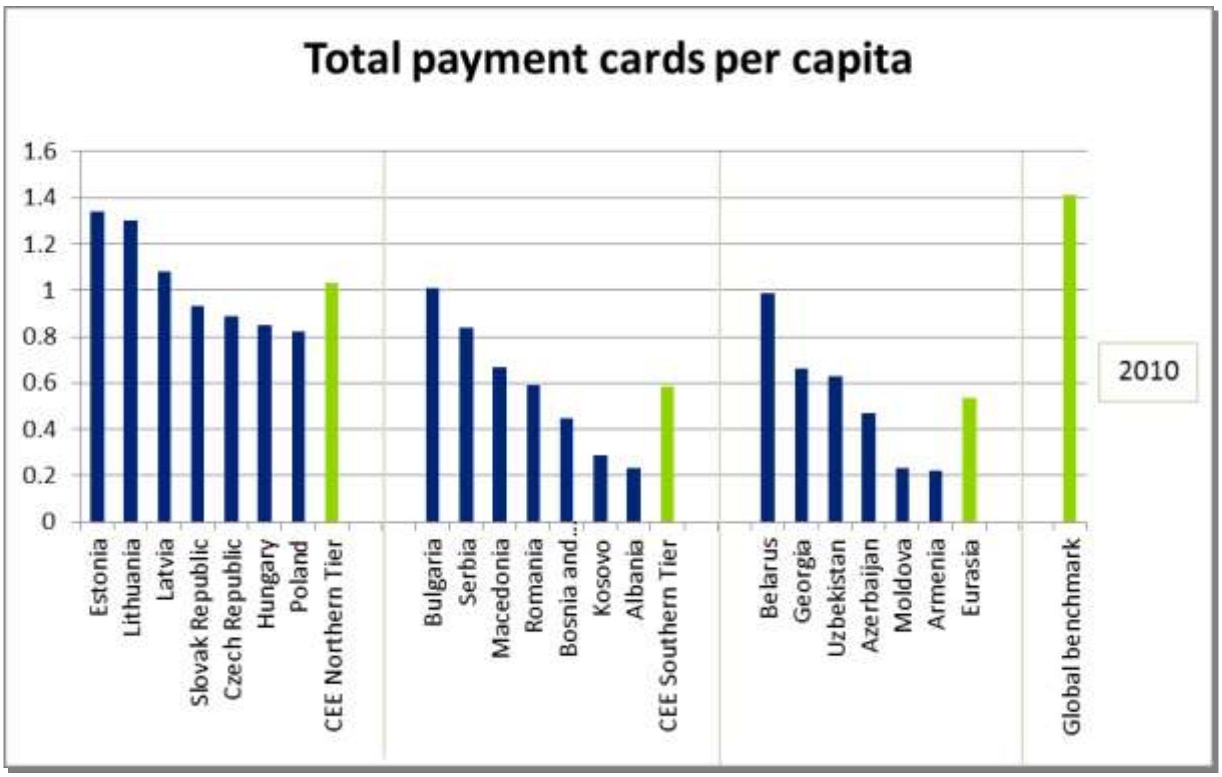


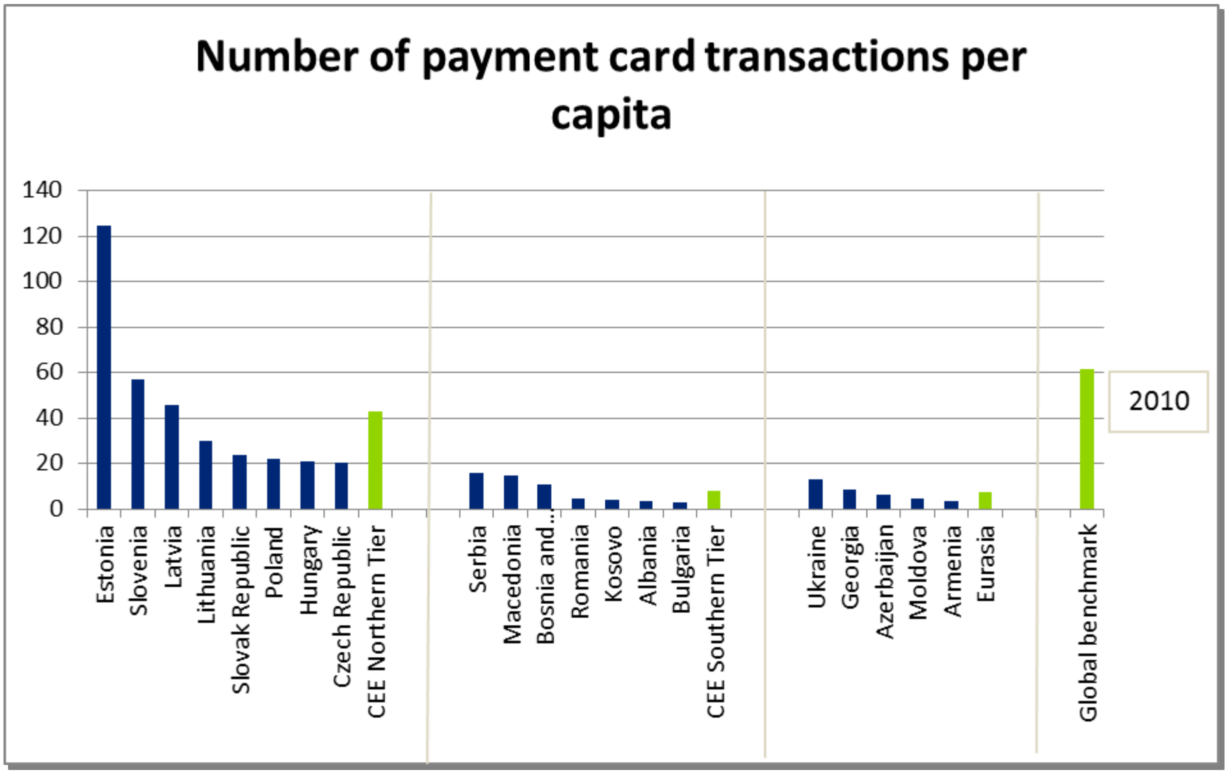



Bond Trading Volume (as % of GDP)
80%
70%
60%
50%
40%
30%
20%
10%
0%
Czech Republic
Latvia
Lithuania
Slovak Republic
Poland
Estonia
Slovenia
Hungary
CEE Northern Tier
Croatia
Macedonia
Bosnia and Herzegovina
Bulgaria
Serbia
Montenegro
Romania
Albania
Kosovo
CEE Southern Tier
Turkey
Belarus
Kazakhstan
Azerbaijan
Armenia
Kyrgyz Republic
Ukraine
Moldova
Tajikistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: Stock Exchanges

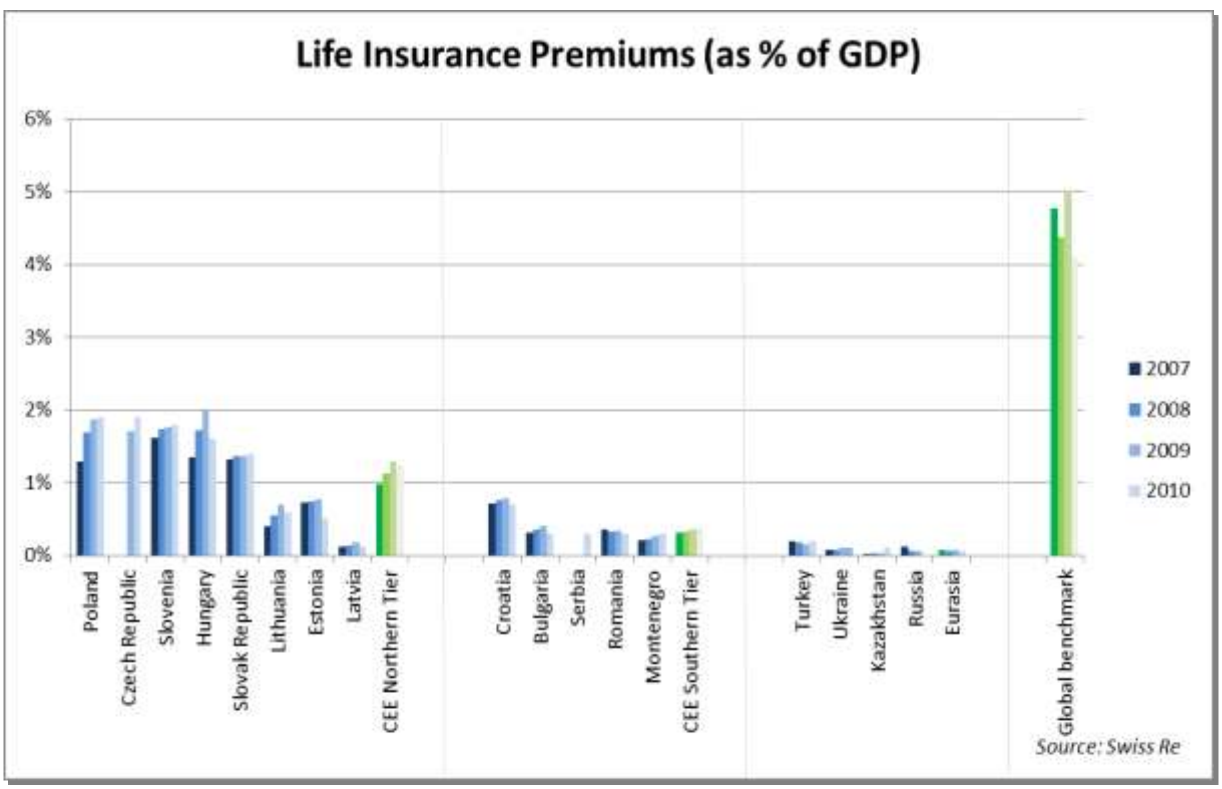

Insurance Premiums (as % of GDP)
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Slovenia
Poland
Hungary
Estonia
Czech Republic
Latvia
Lithuania
Slovak Republic
CEE Northern Tier
Croatia
Bulgaria
Bosnia and Herzegovina
Serbia
Kosovo
Romania
Macedonia
Albania
Montenegro
CEE Southern Tier
Russia
Ukraine
Moldova
Turkey
Kazakhstan
Armenia
Eurasia
Global benchmark
2007
2008
2009
2010
Source: Swiss Re

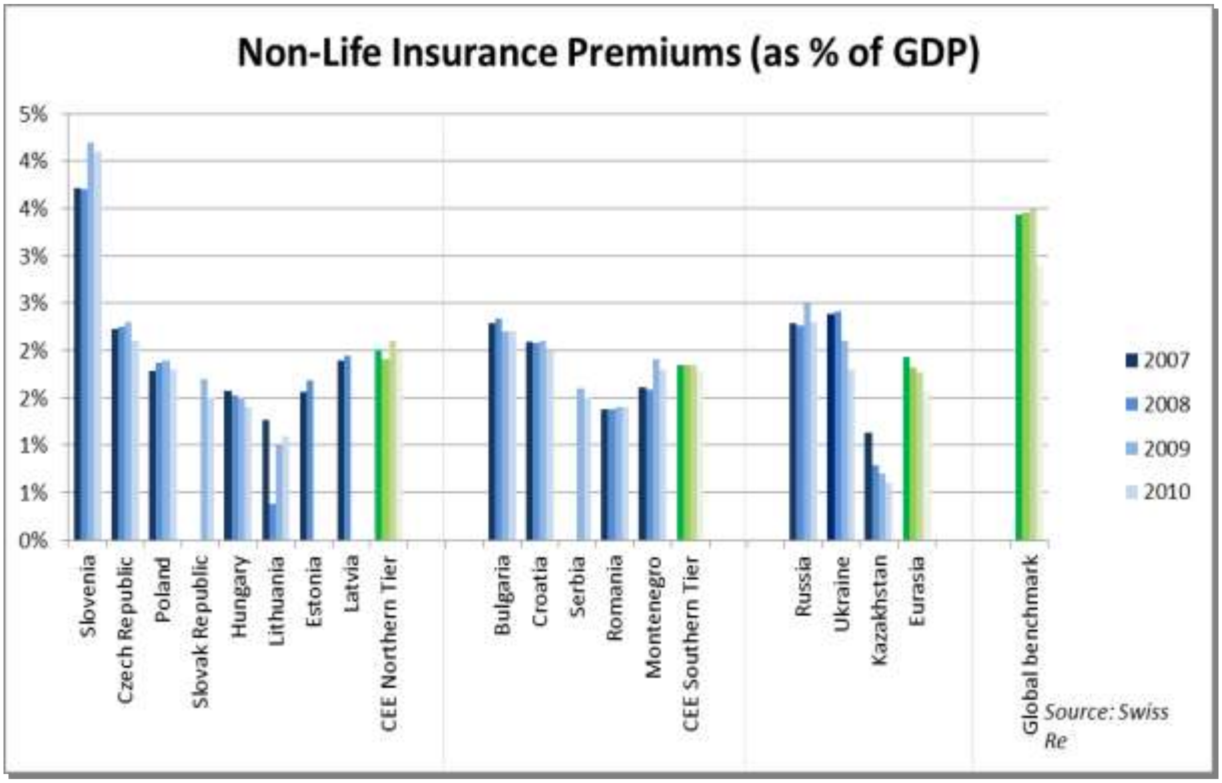

Financial Market Sophistication
7
6
5
4
3
2
1
0
Estonia
Slovak Republic
Czech Republic
Slovenia
Latvia
Hungary
Poland
Lithuania
CEE Northern Tier
Montenegro
Croatia
Romania
Macedonia
Bulgaria
Serbia
Albania
Bosnia and Herzegovina
CEE Southern Tier
Turkey
Azerbaijan
Russia
Georgia
Kazakhstan
Ukraine
Armenia
Tajikistan
Kyrgyz Republic
Moldova
Uzbekistan
Eurasia
Global benchmark
2007
2008
2009
Source: WEF

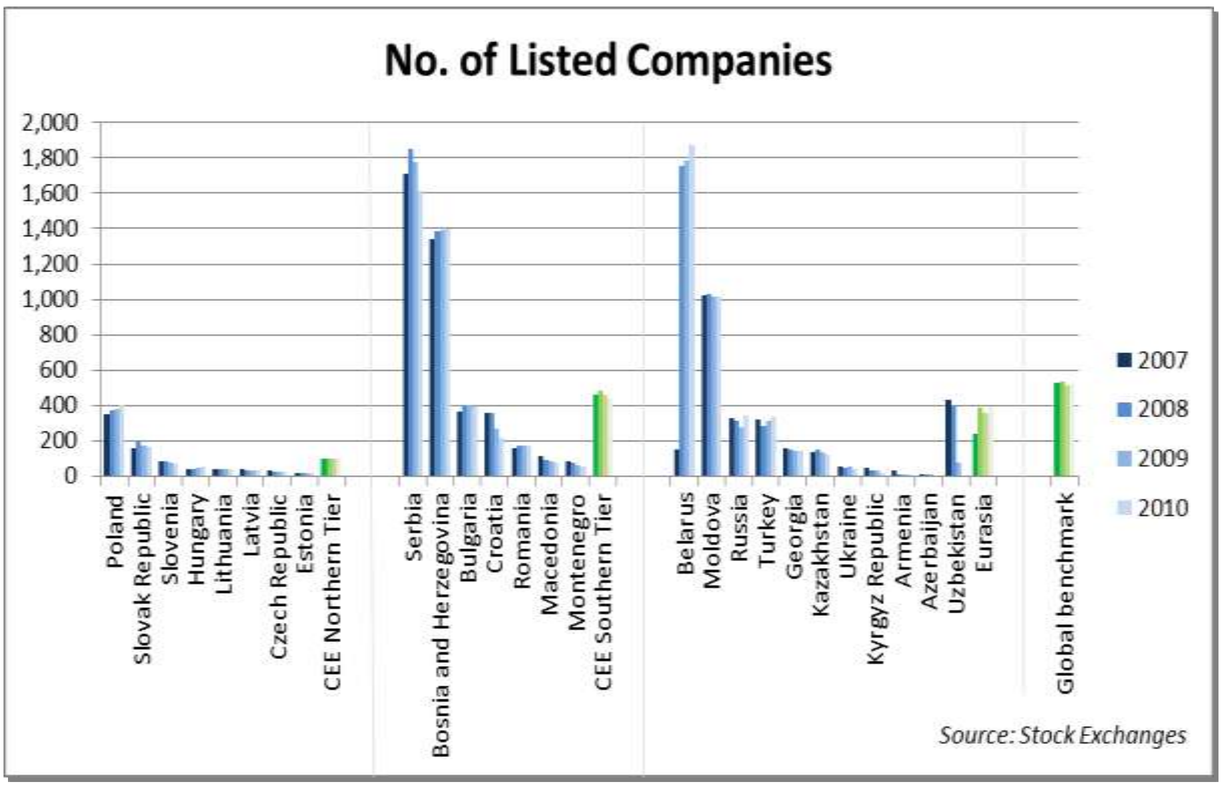

Total payment cards per capita
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
Estonia
Lithuania
Latvia
Slovak Republic
Czech Republic
Hungary
Poland
CEE Northern Tier
Bulgaria
Serbia
Macedonia
Romania
Bosnia and...
Kosovo
Albania
CEE Southern Tier
Belarus
Georgia
Uzbekistan
Azerbaijan
Moldova
Armenia
Eurasia
Global benchmark
2010



3.3.2. Other Financial Sector Sophistication Indicators

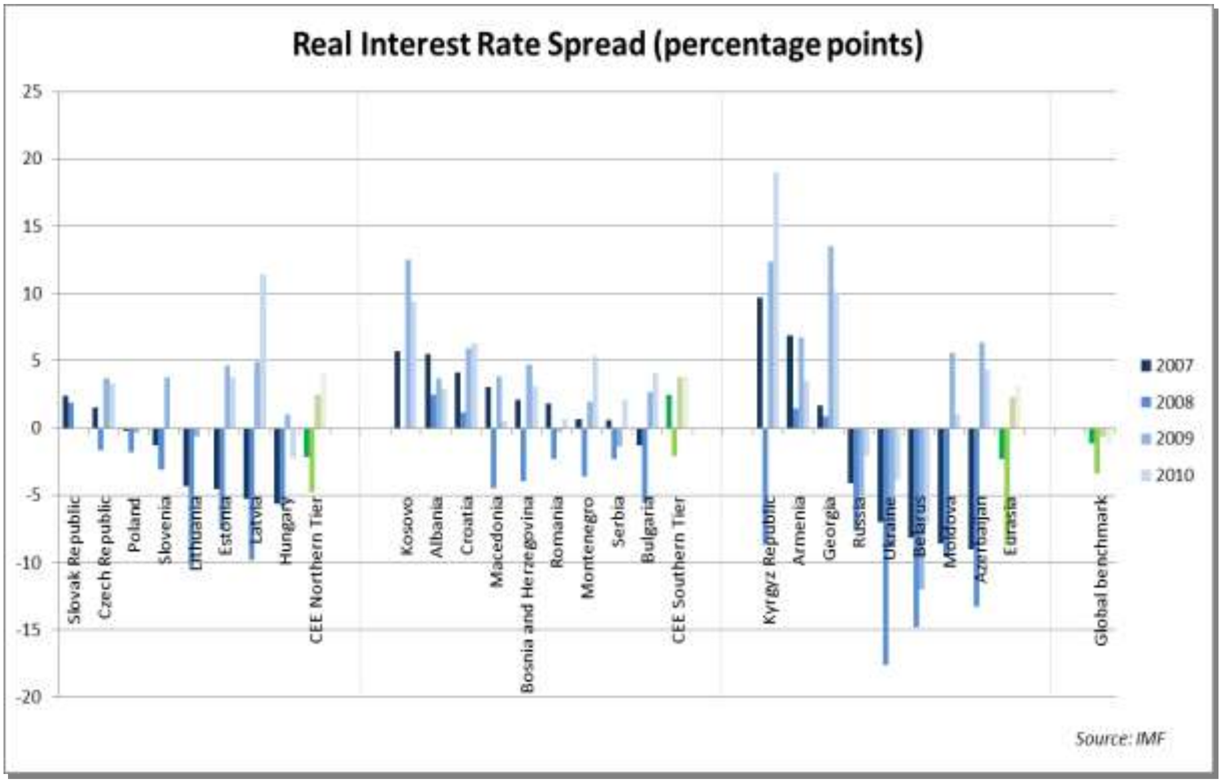


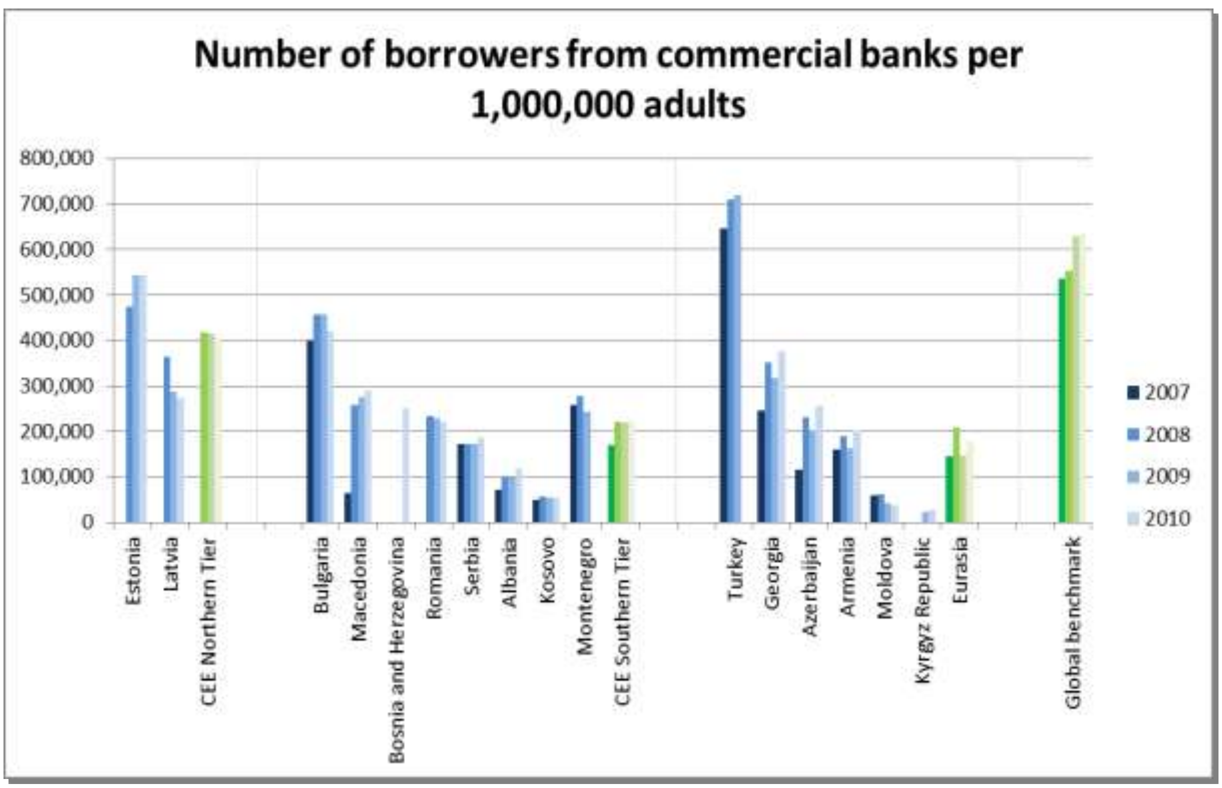

Non-Life Insurance Premiums (as % of GDP)
5%
4%
4%
3%
3%
2%
2%
1%
1%
0%
Slovenia
Czech Republic
Poland
Slovak Republic
Hungary
Lithuania
Estonia
Latvia
CEE Northern Tier
Bulgaria
Croatia
Serbia
Romania
Montenegro
CEE Southern Tier
Russia
Ukraine
Kazakhstan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: Swiss Re

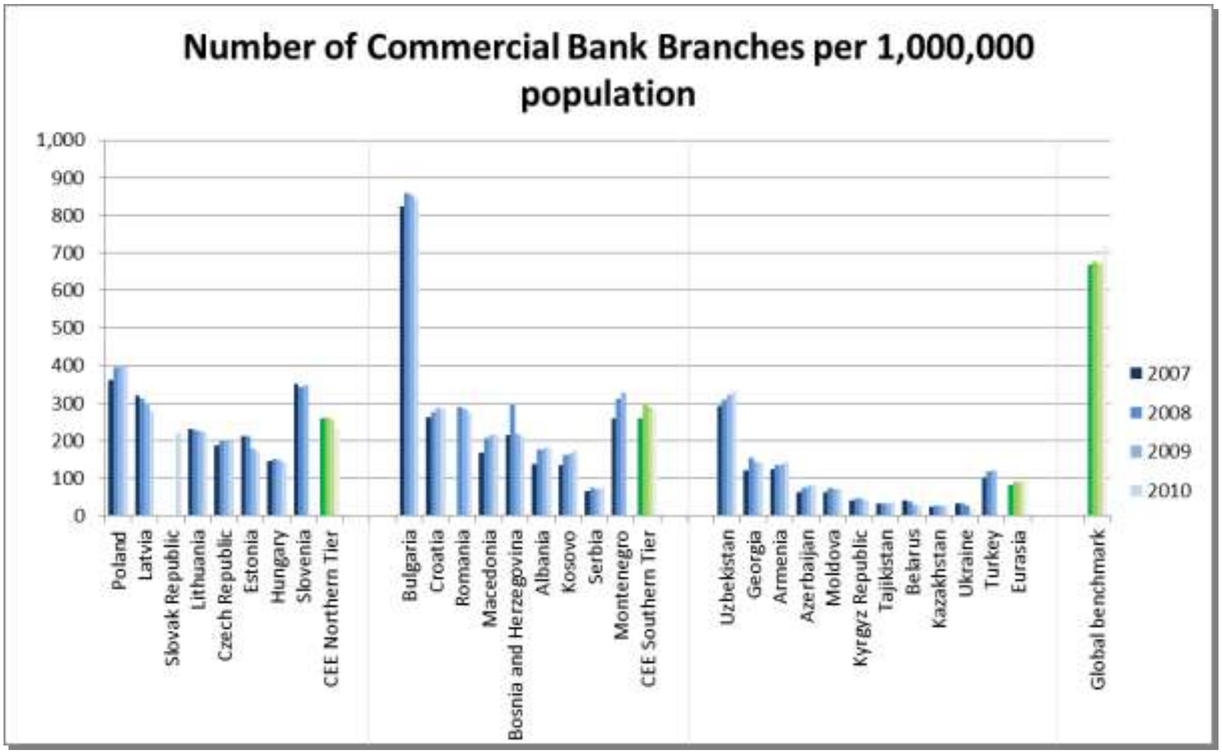

No. of Listed Companies
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
Poland
Slovak Republic
Slovenia
Hungary
Lithuania
Latvia
Czech Republic
Estonia
CEE Northern Tier
Serbia
Bosnia and Herzegovina
Bulgaria
Croatia
Romania
Macedonia
Montenegro
CEE Southern Tier
Belarus
Moldova
Russia
Turkey
Georgia
Kazakhstan
Ukraine
Kyrgyz Republic
Armenia
Azerbaijan
Uzbekistan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: Stock Exchanges

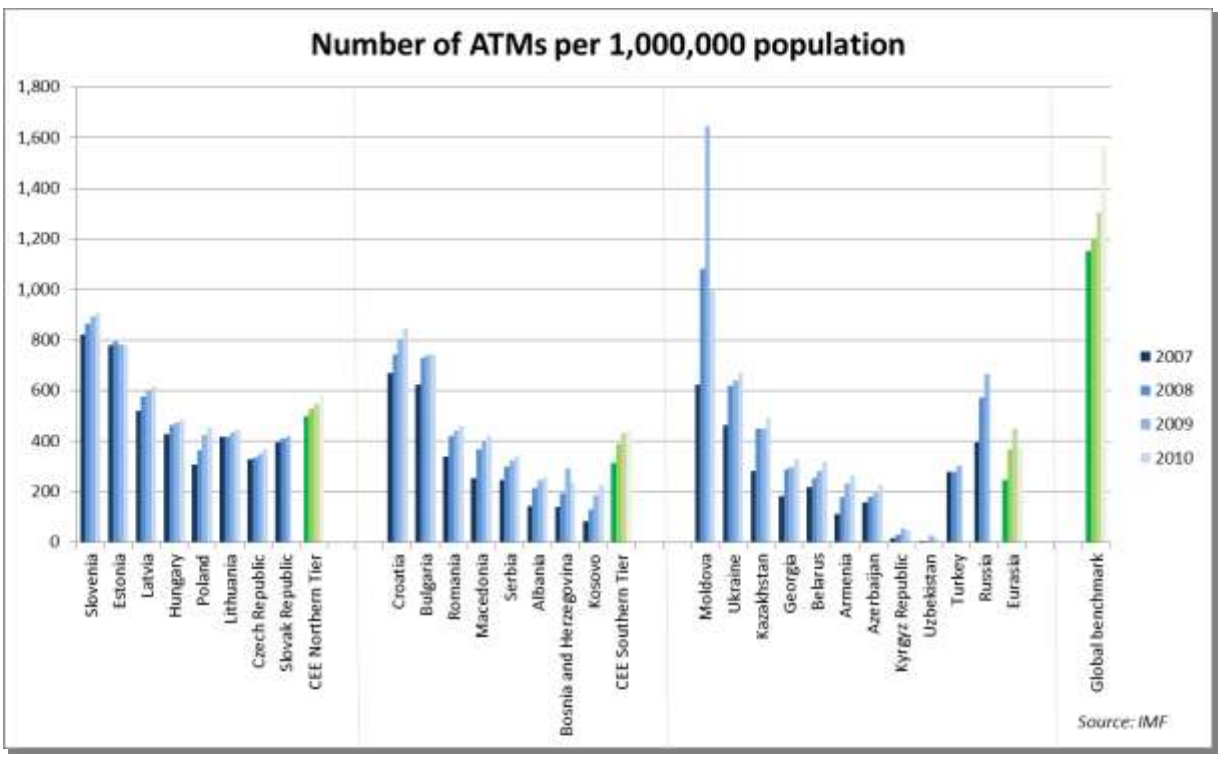
3.4. Access to Financial Services

3.4.1. Access Benchmarking Indicators

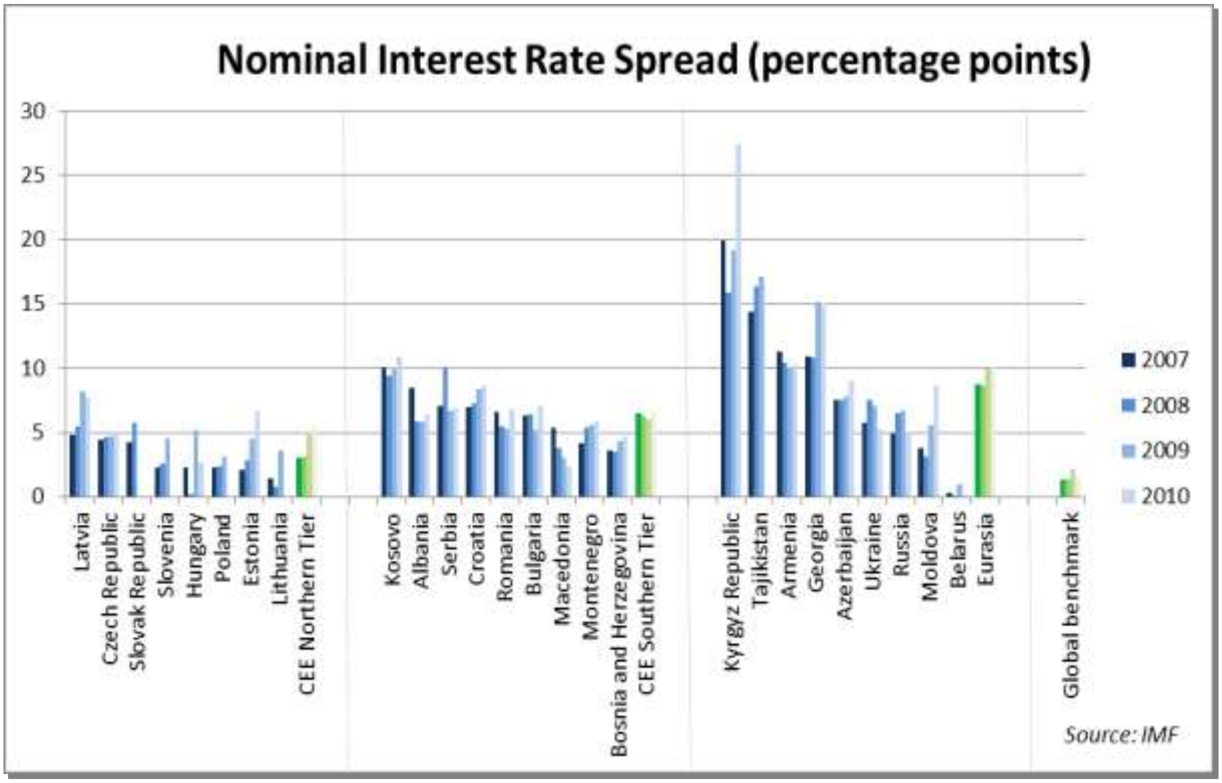


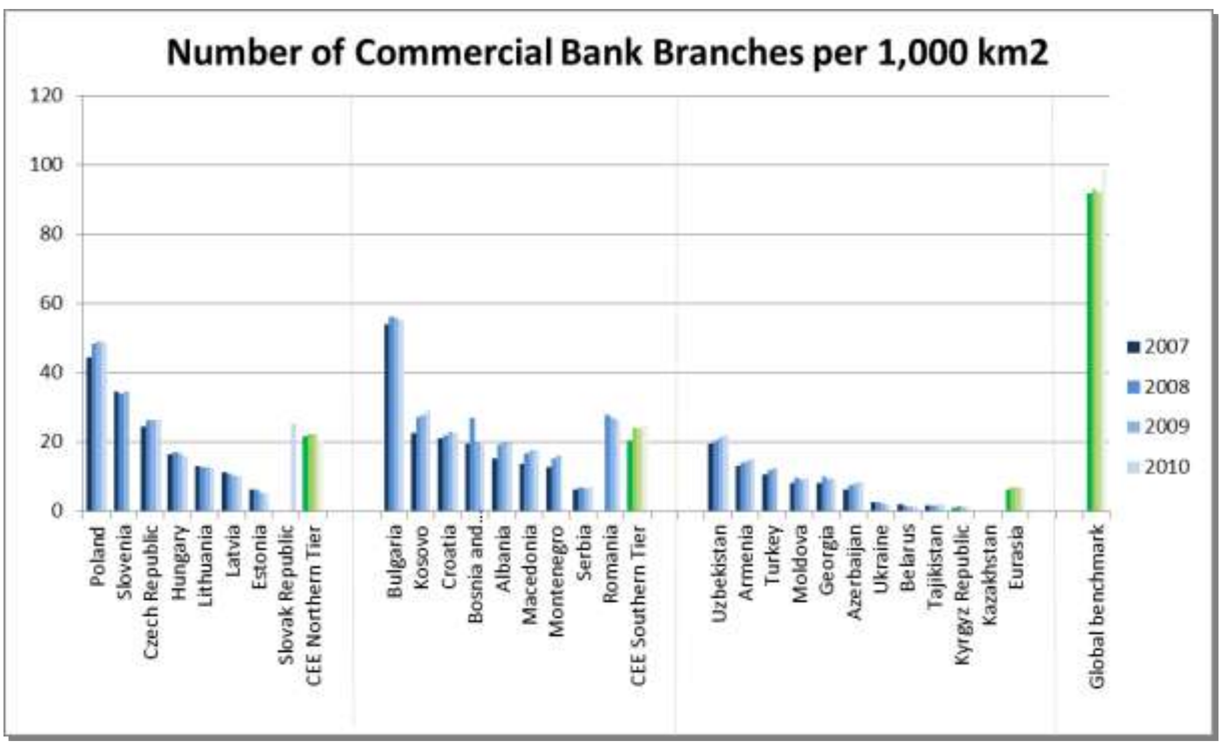


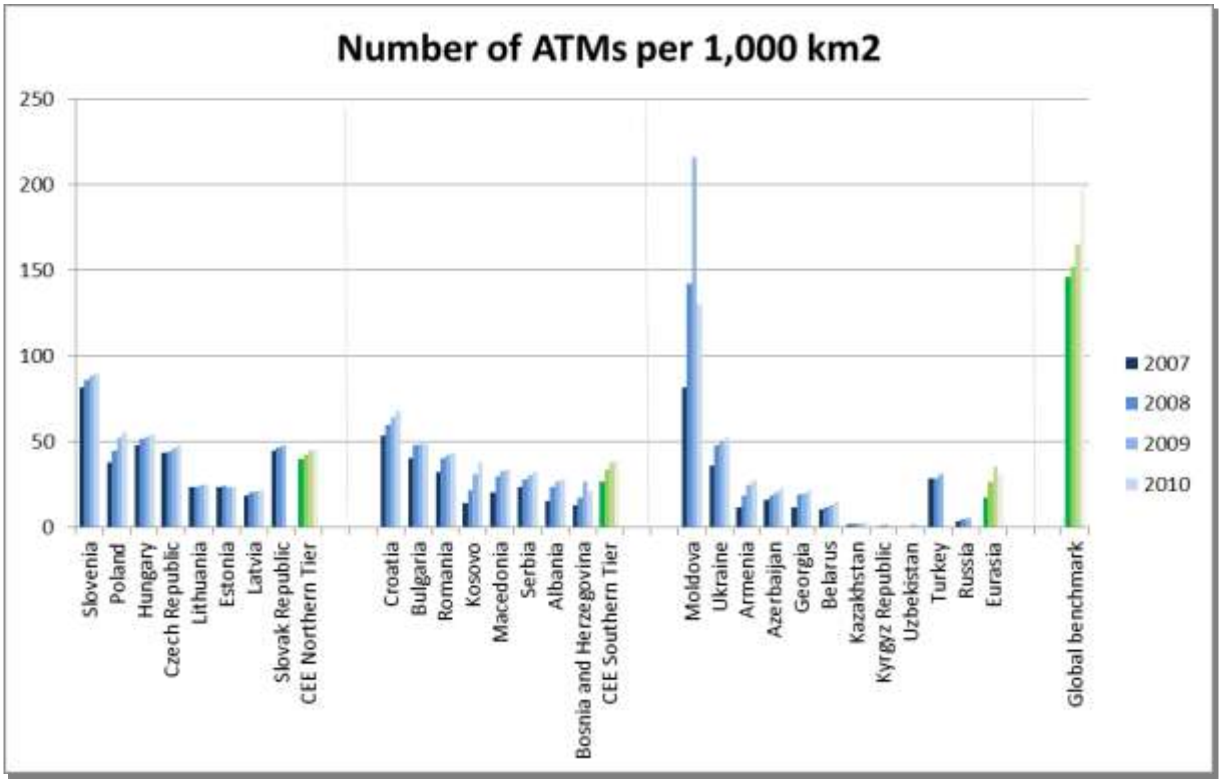

Number of Commercial Bank Branches per 1,000,000 population
1,000
900
800
700
600
500
400
300
200
100
0
2007
2008
2009
2010
Poland
Latvia
Slovak Republic
Lithuania
Czech Republic
Estonia
Hungary
Slovenia
CEE Northern Tier
Bulgaria
Croatia
Romania
Macedonia
Bosnia and Herzegovina
Albania
Kosovo
Serbia
Montenegro
CEE Southern Tier
Uzbekistan
Georgia
Armenia
Azerbaijan
Moldova
Kyrgyz Republic
Tajikistan
Belarus
Kazakhstan
Ukraine
Turkey
Eurasia
Global benchmark

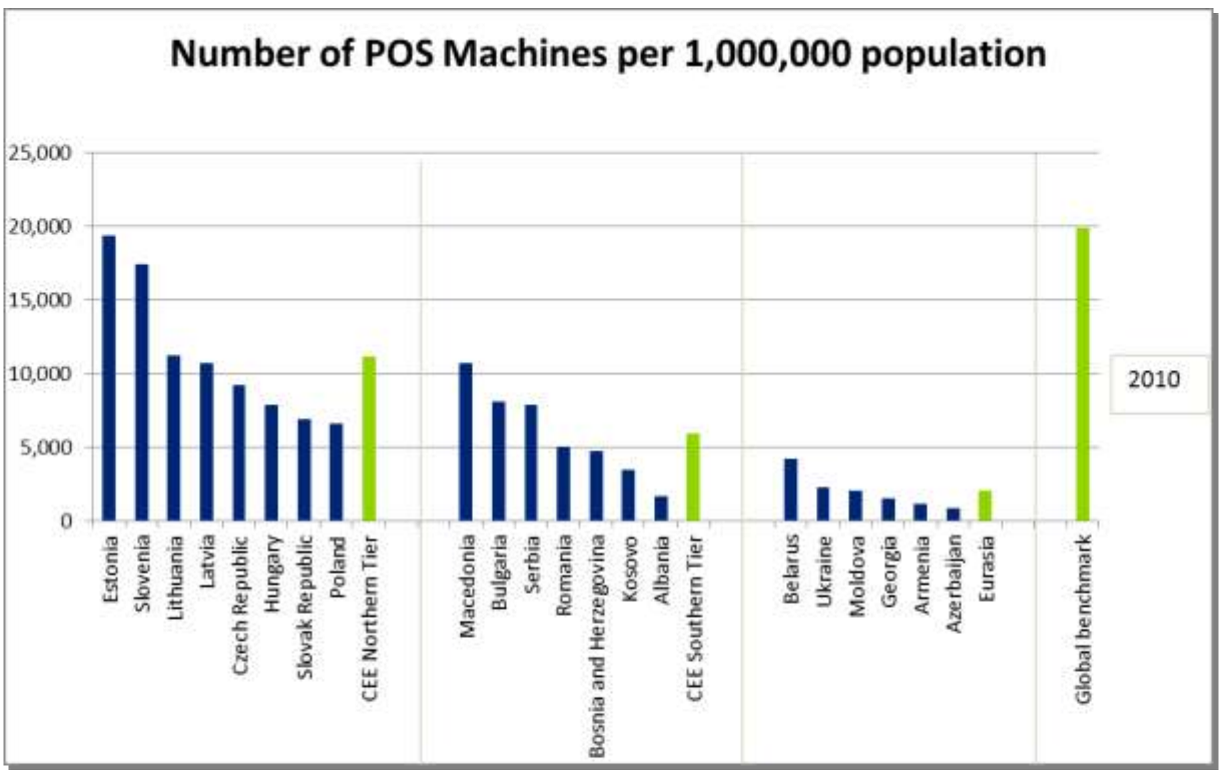

Number of ATMs per 1,000,000 population
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
2007
2008
2009
2010
Slovenia
Estonia
Latvia
Hungary
Poland
Lithuania
Czech Republic
Slovak Republic
CEE Northern Tier
Croatia
Bulgaria
Romania
Macedonia
Serbia
Albania
Bosnia and Herzegovina
Kosovo
CEE Southern Tier
Moldova
Ukraine
Kazakhstan
Georgia
Belarus
Armenia
Azerbaijan
Kyrgyz Republic
Uzbekistan
Turkey
Russia
Eurasia
Global benchmark
Source: IMF

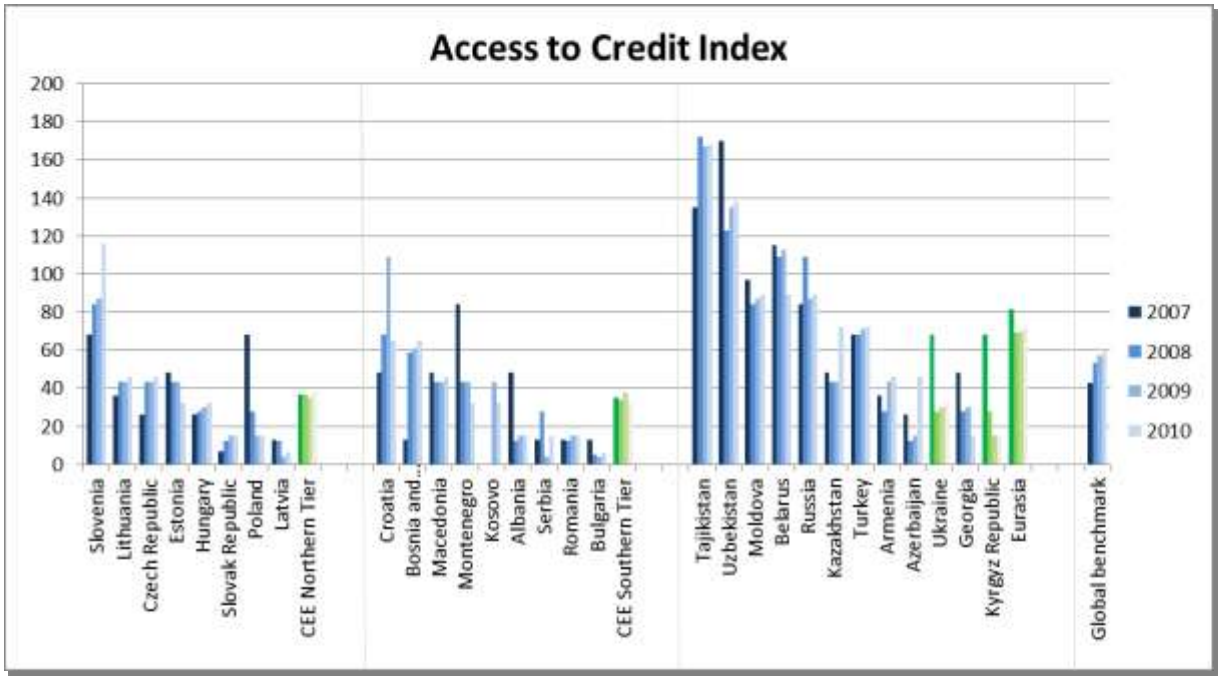
3.4.2. Other Access Indicators






Number of ATMs per 1,000 km2
250
200
150
100
50
0
2007
2008
2009
2010
Slovenia
Poland
Hungary
Czech Republic
Lithuania
Estonia
Latvia
Slovak Republic
CEE Northern Tier
Croatia
Bulgaria
Romania
Kosovo
Macedonia
Serbia
Albania
Bosnia and Herzegovina
CEE Southern Tier
Moldova
Ukraine
Armenia
Azerbaijan
Georgia
Belarus
Kazakhstan
Kyrgyz Republic
Uzbekistan
Turkey
Russia
Eurasia
Global benchmark

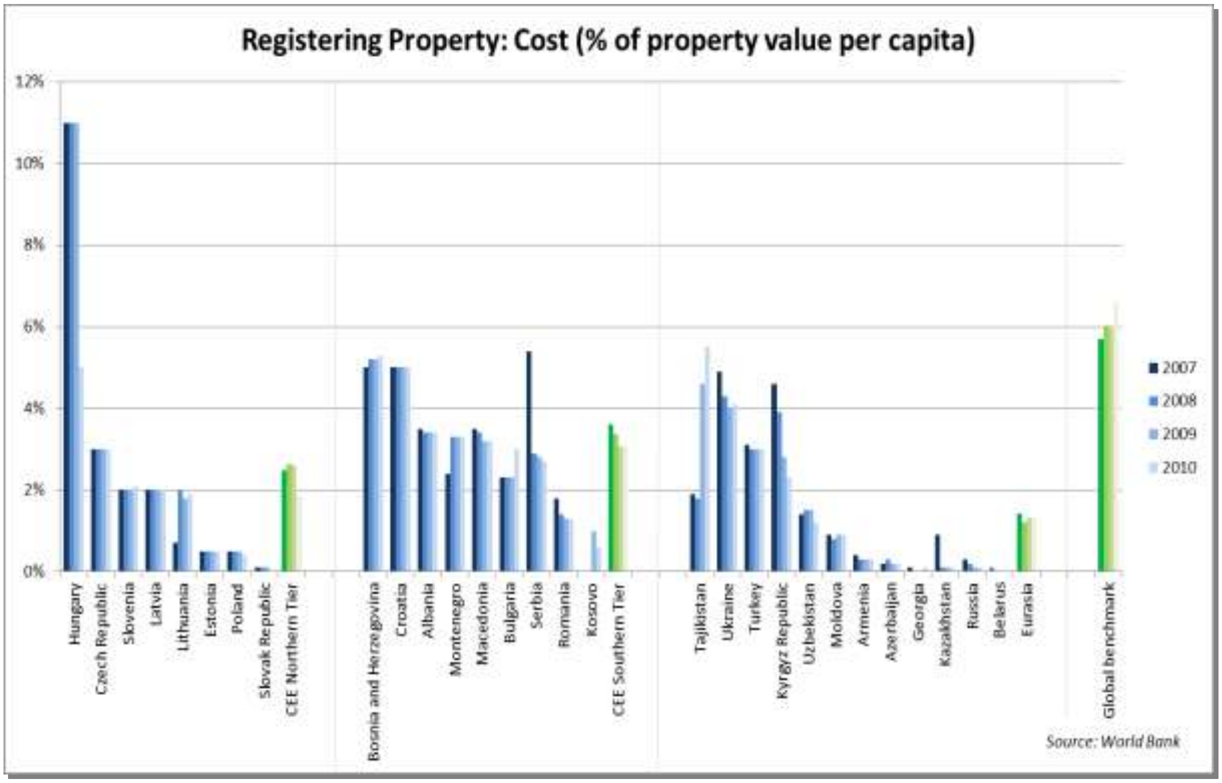

Number of POS Machines per 1,000,000 population
25,000
20,000
15,000
10,000
5,000
0
2010
Estonia
Slovenia
Lithuania
Latvia
Czech Republic
Hungary
Slovak Republic
Poland
CEE Northern Tier
Macedonia
Bulgaria
Serbia
Romania
Bosnia and Herzegovina
Kosovo
Albania
CEE Southern Tier
Belarus
Ukraine
Moldova
Georgia
Armenia
Azerbaijan
Eurasia
Global benchmark

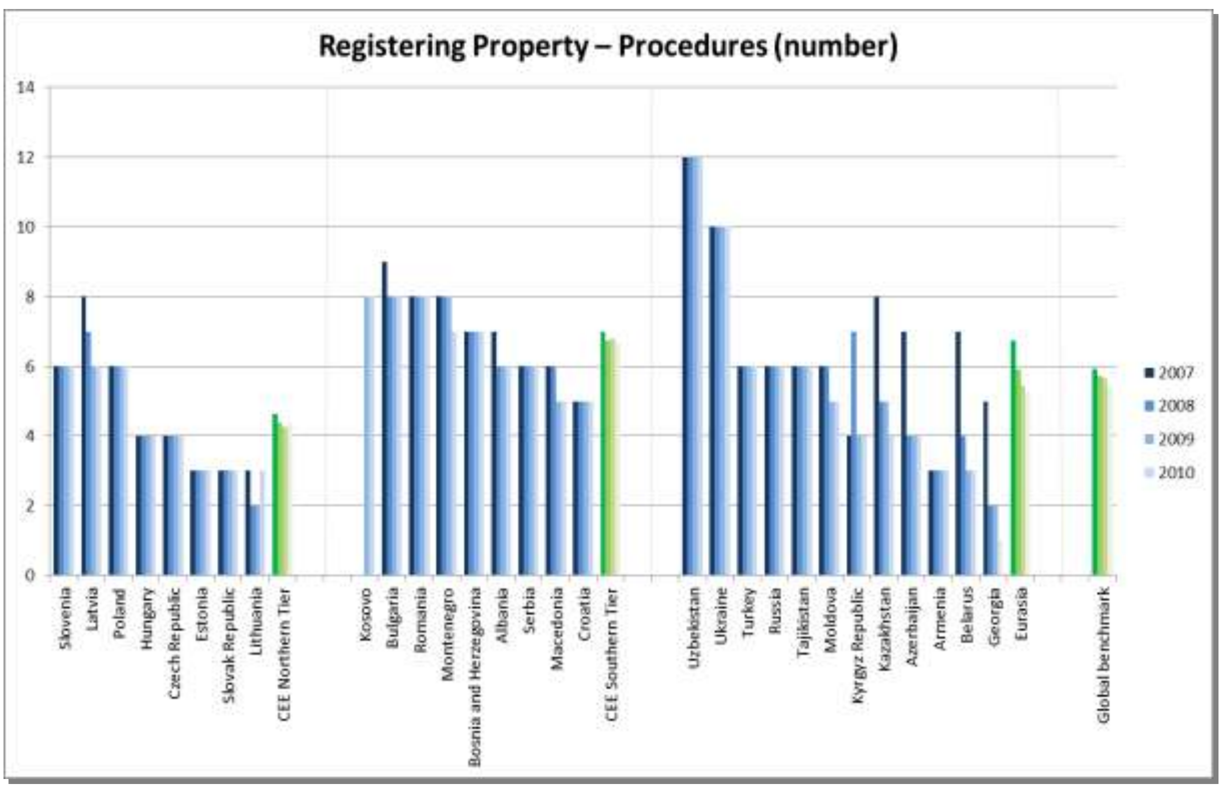


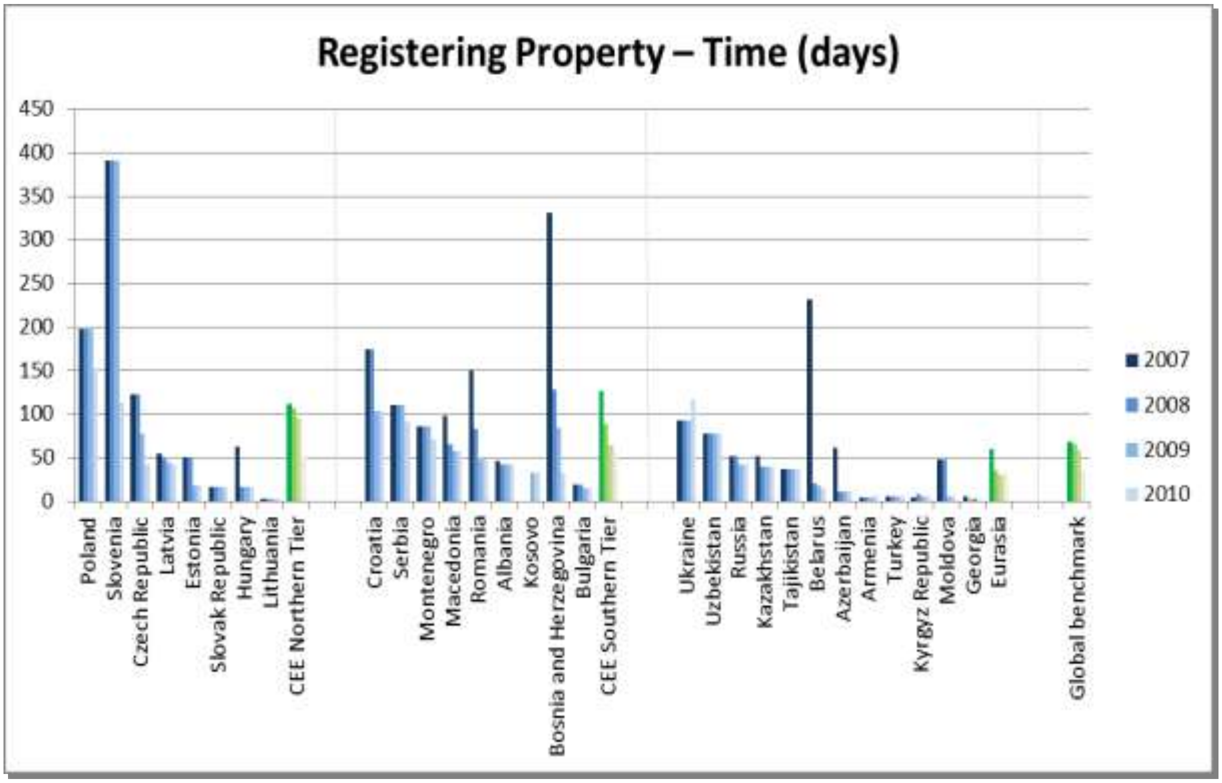
Access to Credit Index
200
180
160
140
120
100
80
60
40
20
0
2007
2008
2009
2010
Slovenia
Lithuania
Czech Republic
Estonia
Hungary
Slovak Republic
Poland
Latvia
CEE Northern Tier
Croatia
Bosnia and...
Macedonia
Montenegro
Kosovo
Albania
Serbia
Romania
Bulgaria
CEE Southern Tier
Tajikistan
Uzbekistan
Moldova
Belarus
Russia
Kazakhstan
Turkey
Armenia
Azerbaijan
Ukraine
Georgia
Kyrgyz Republic
Eurasia
Global benchmark

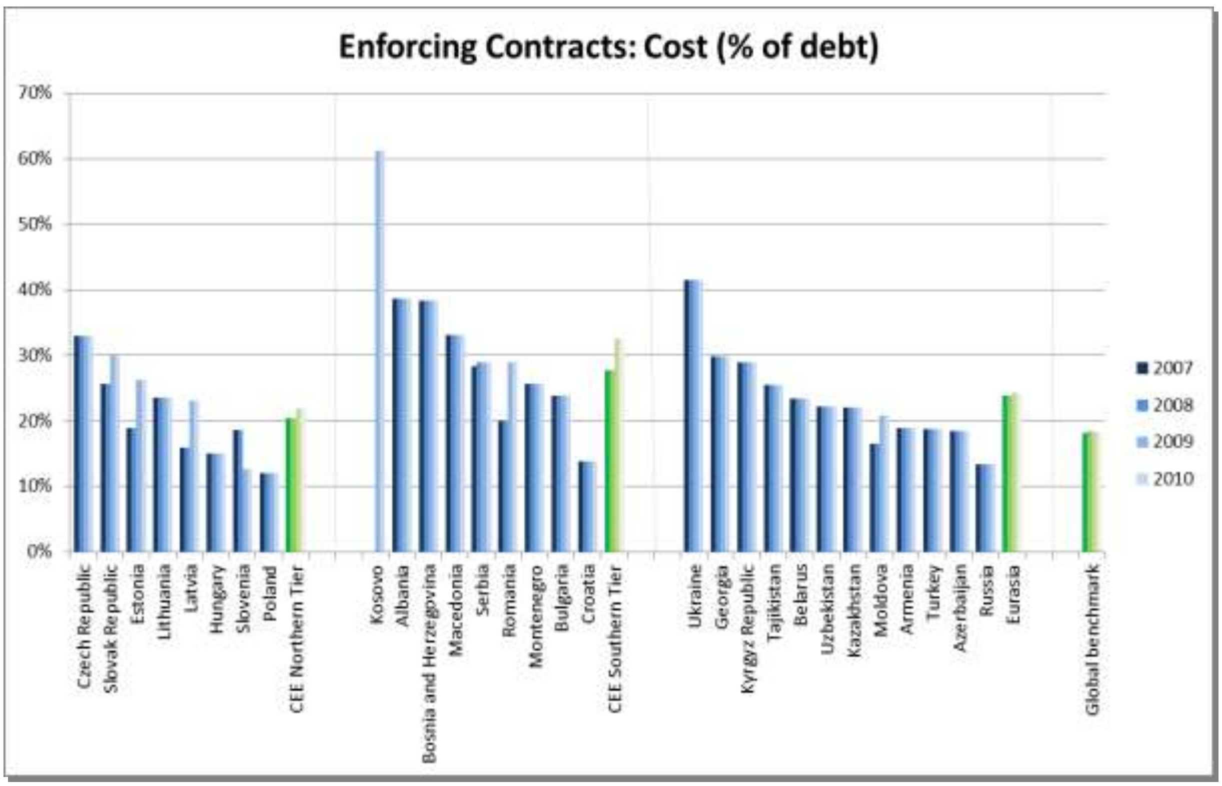
4. Financial Sector Enabling Environment

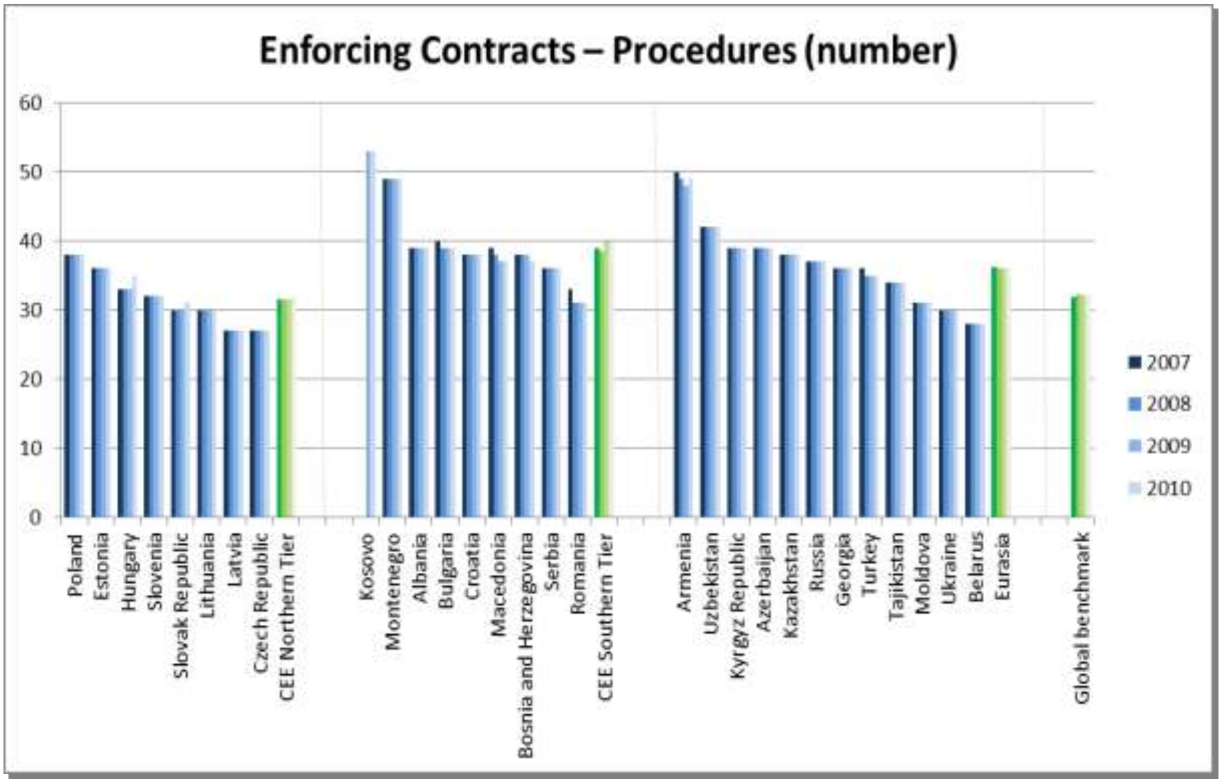
4.1.1. Enabling Environment Benchmarking Indicators

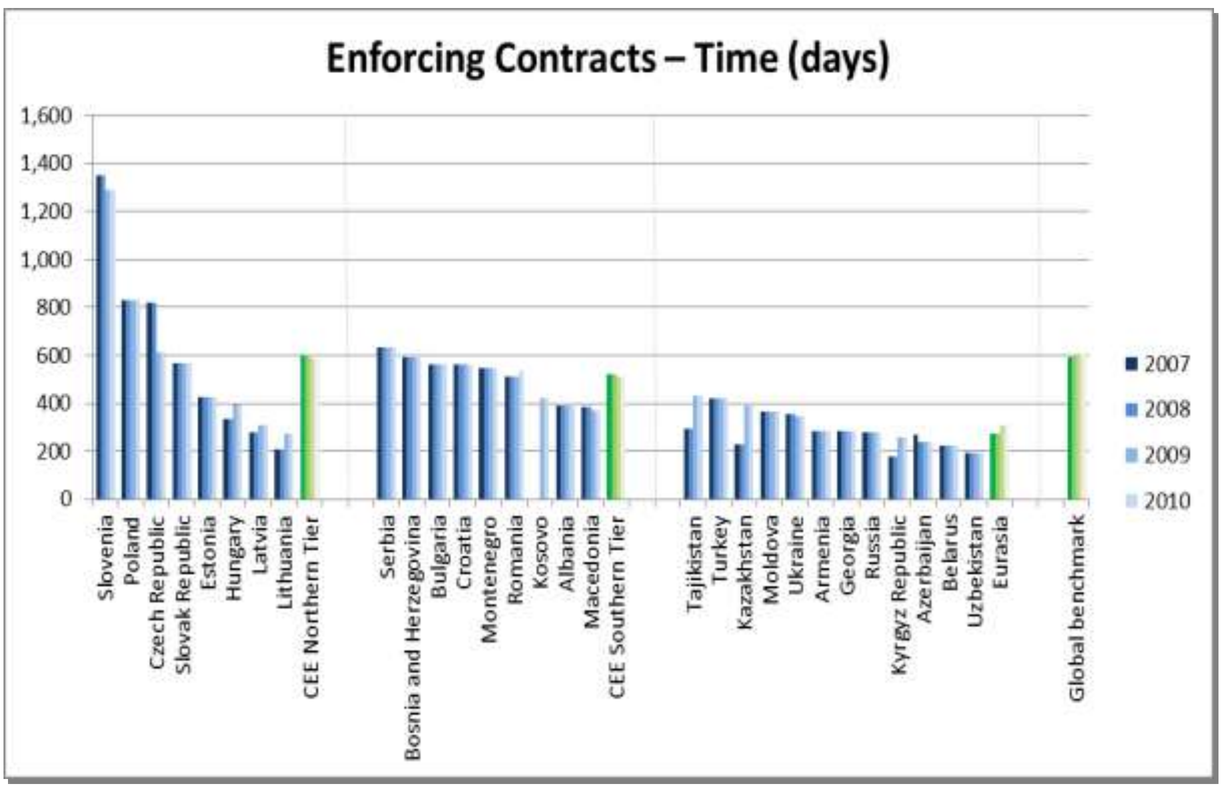


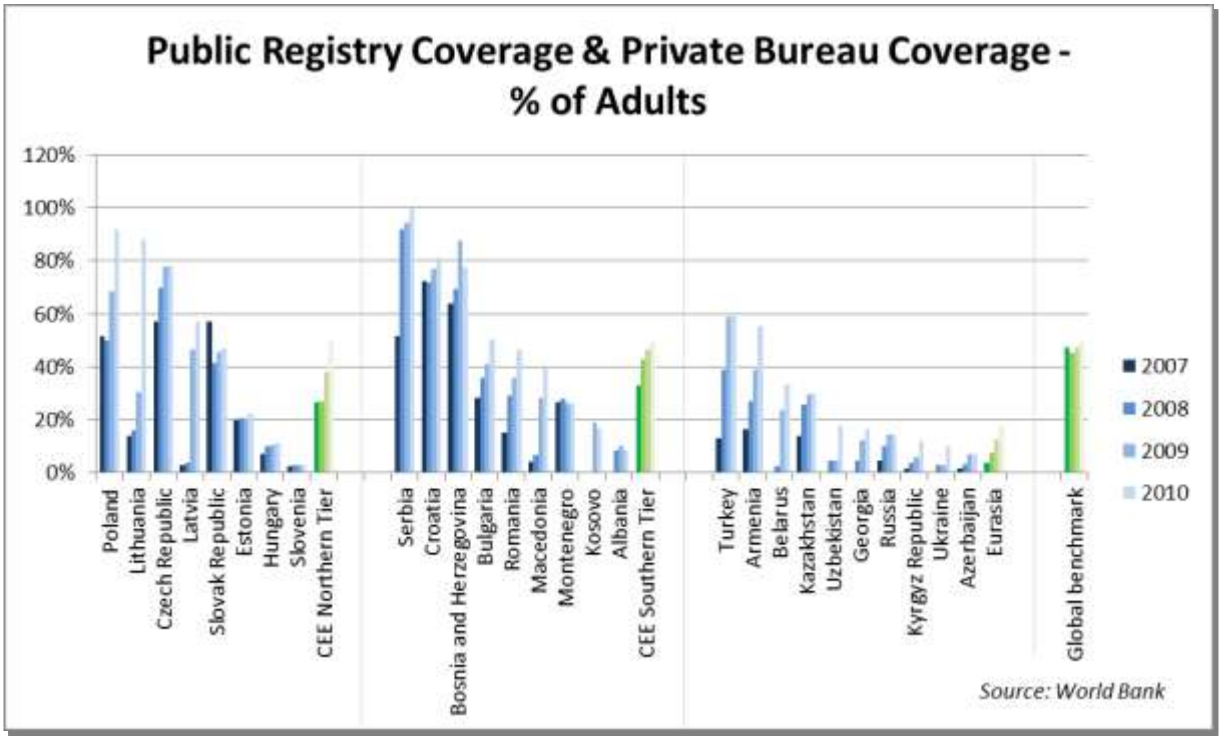



Registering Property – Time (days)
450
400
350
300
250
200
150
100
50
0
2007
2008
2009
2010
Poland
Slovenia
Czech Republic
Latvia
Estonia
Slovak Republic
Hungary
Lithuania
CEE Northern Tier
Croatia
Serbia
Montenegro
Macedonia
Romania
Albania
Kosovo
Bosnia and Herzegovina
Bulgaria
CEE Southern Tier
Ukraine
Uzbekistan
Russia
Kazakhstan
Tajikistan
Belarus
Azerbaijan
Armenia
Turkey
Kyrgyz Republic
Moldova
Georgia
Eurasia
Global benchmark

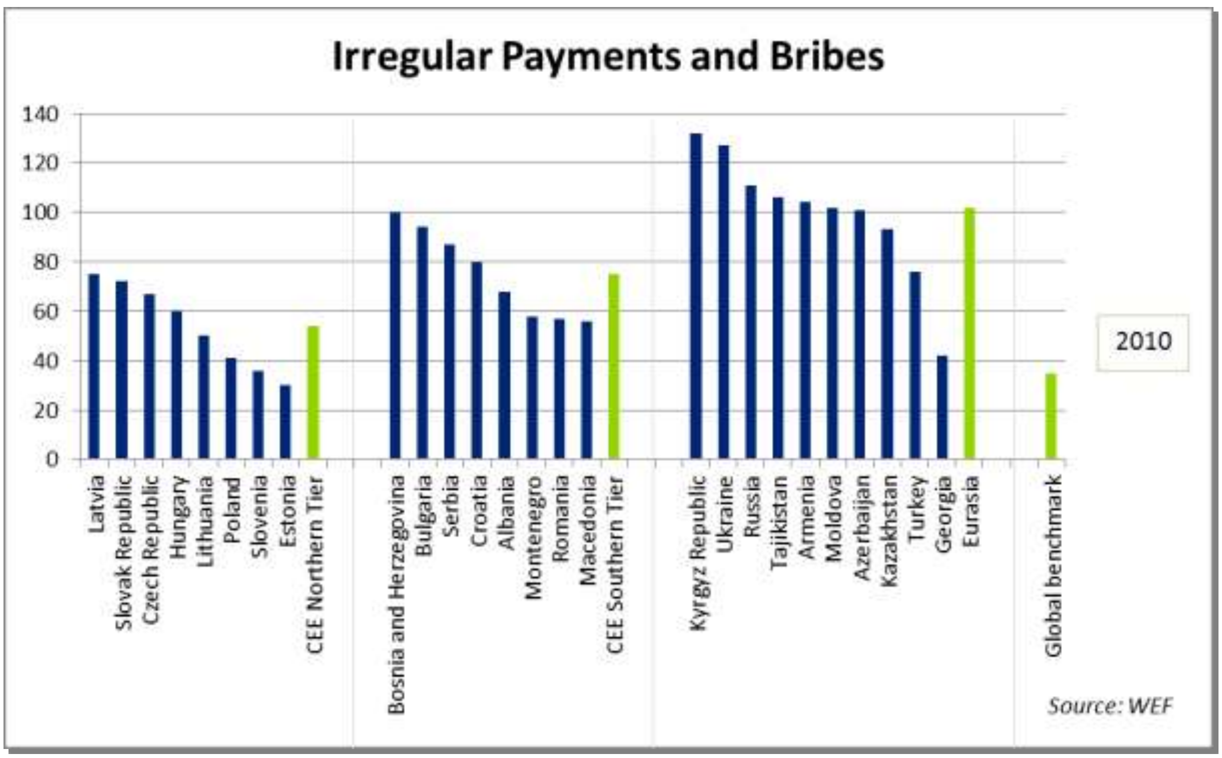

Enforcing Contracts: Cost (% of debt)
70%
60%
50%
40%
30%
20%
10%
0%
2007
2008
2009
2010
Czech Republic
Slovak Republic
Estonia
Lithuania
Latvia
Hungary
Slovenia
Poland
CEE Northern Tier
Kosovo
Albania
Bosnia and Herzegovina
Macedonia
Serbia
Romania
Montenegro
Bulgaria
Croatia
CEE Southern Tier
Ukraine
Georgia
Kyrgyz Republic
Tajikistan
Belarus
Uzbekistan
Kazakhstan
Moldova
Armenia
Turkey
Azerbaijan
Russia
Eurasia
Global benchmark


Enforcing Contracts – Procedures (number)
60
50
40
30
20
10
0
Poland
Estonia
Hungary
Slovenia
Slovak Republic
Lithuania
Latvia
Czech Republic
CEE Northern Tier
Kosovo
Montenegro
Albania
Bulgaria
Croatia
Macedonia
Bosnia and Herzegovina
Serbia
Romania
CEE Southern Tier
Armenia
Uzbekistan
Kyrgyz Republic
Azerbaijan
Kazakhstan
Russia
Georgia
Turkey
Tajikistan
Moldova
Ukraine
Belarus
Eurasia
Global benchmark
2007
2008
2009
2010


Enforcing Contracts – Time (days)
1,600
1,400
1,200
1,000
800
600
400
200
0
Slovenia
Poland
Czech Republic
Slovak Republic
Estonia
Hungary
Latvia
Lithuania
CEE Northern Tier
Serbia
Bosnia and Herzegovina
Bulgaria
Croatia
Montenegro
Romania
Kosovo
Albania
Macedonia
CEE Southern Tier
Tajikistan
Turkey
Kazakhstan
Moldova
Ukraine
Armenia
Georgia
Russia
Kyrgyz Republic
Azerbaijan
Belarus
Uzbekistan
Eurasia
Global benchmark
2007
2008
2009
2010

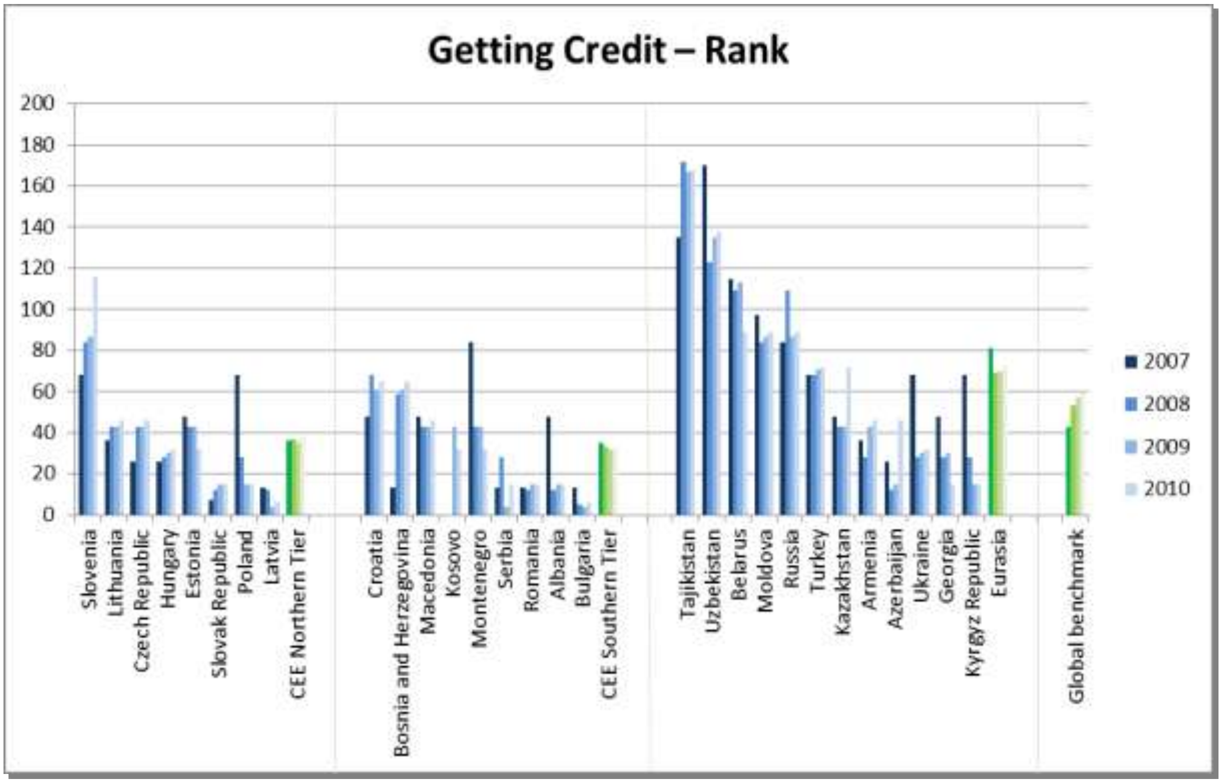


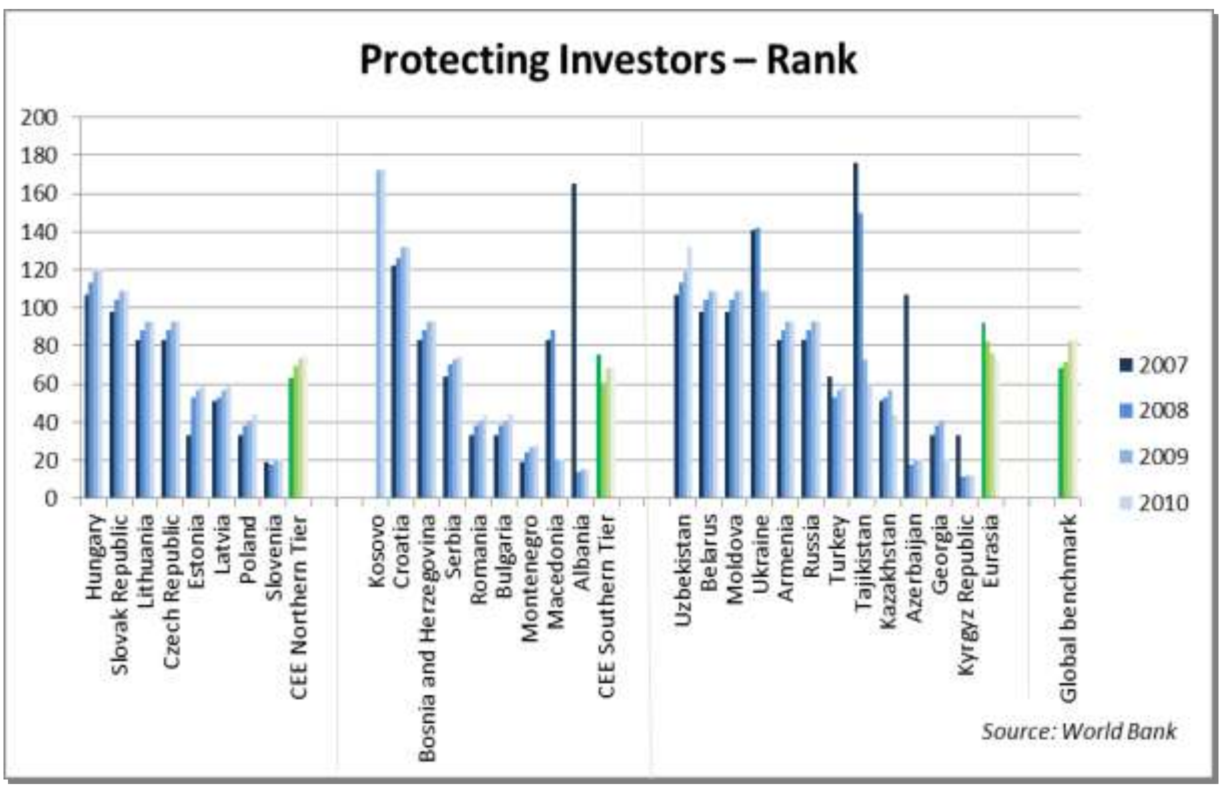
Public Registry Coverage & Private Bureau Coverage - % of Adults
120%
100%
80%
60%
40%
20%
0%
Poland
Lithuania
Czech Republic
Latvia
Slovak Republic
Estonia
Hungary
Slovenia
CEE Northern Tier
Serbia
Croatia
Bosnia and Herzegovina
Bulgaria
Romania
Macedonia
Montenegro
Kosovo
Albania
CEE Southern Tier
Turkey
Armenia
Belarus
Kazakhstan
Uzbekistan
Georgia
Russia
Kyrgyz Republic
Ukraine
Azerbaijan
Eurasia
Global benchmark
2007
2008
2009
2010
Source: World Bank

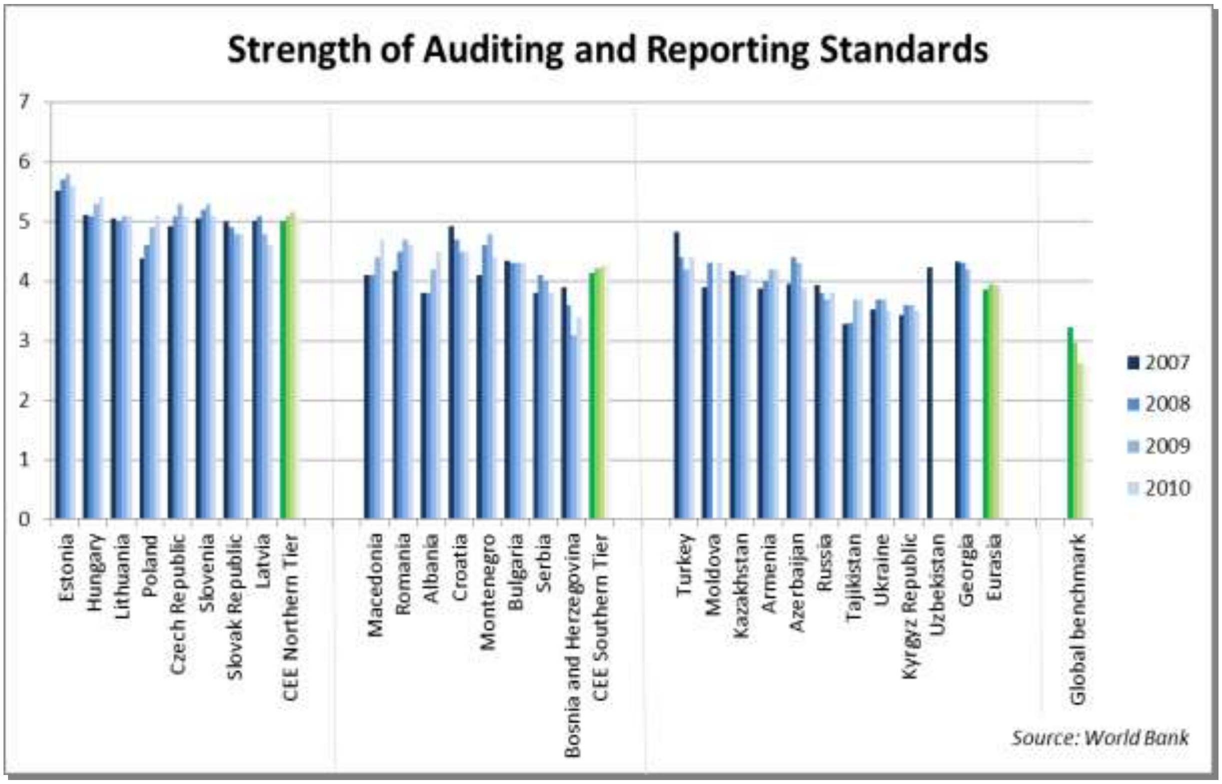


Irregular Payments and Bribes
140
120
100
80
60
40
20
0
Latvia
Slovak Republic
Czech Republic
Hungary
Lithuania
Poland
Slovenia
Estonia
CEE Northern Tier
Bosnia and Herzegovina
Bulgaria
Serbia
Croatia
Albania
Montenegro
Romania
Macedonia
CEE Southern Tier
Kyrgyz Republic
Ukraine
Russia
Tajikistan
Armenia
Moldova
Azerbaijan
Kazakhstan
Turkey
Georgia
Eurasia
Global benchmark
2010
Source: WEF

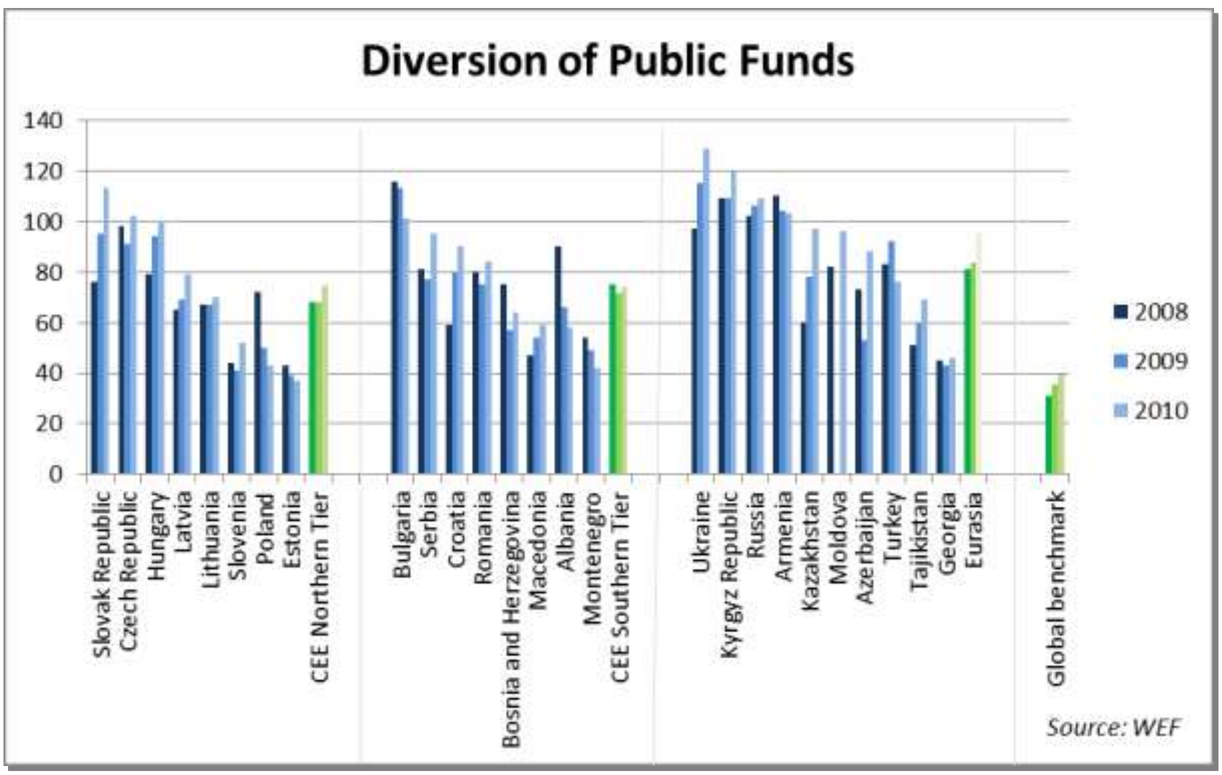
4.1.2. Other Enabling Environment Indicators



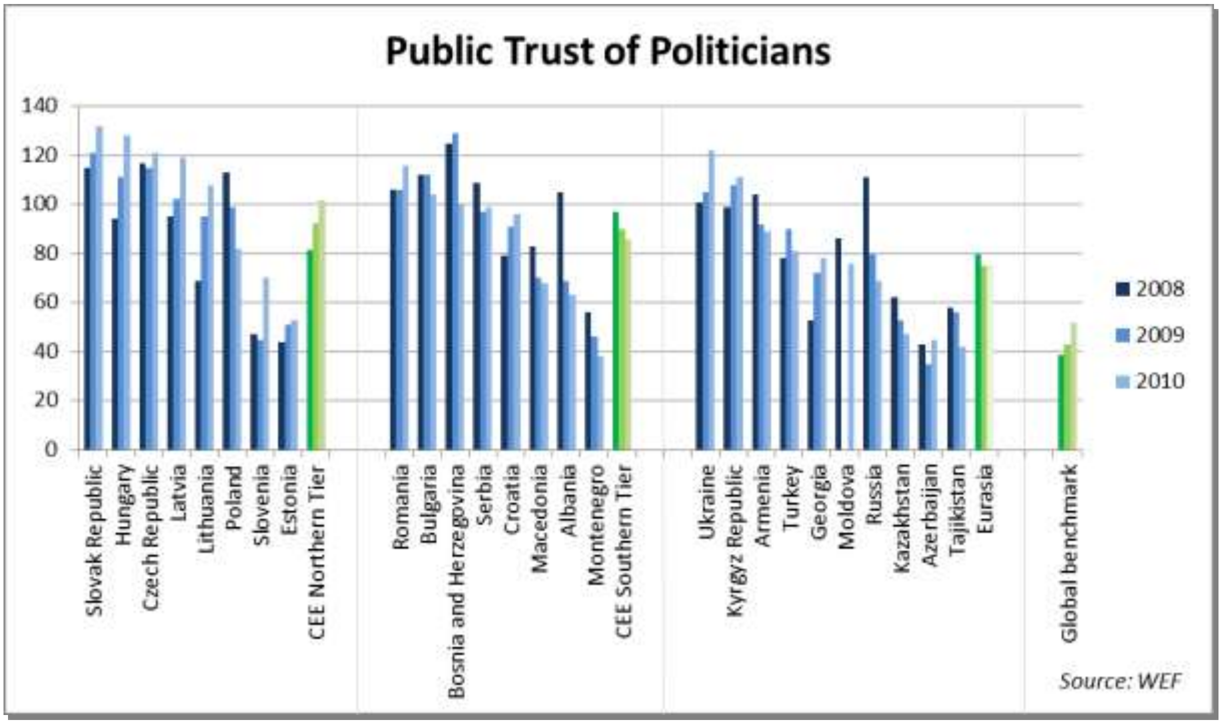


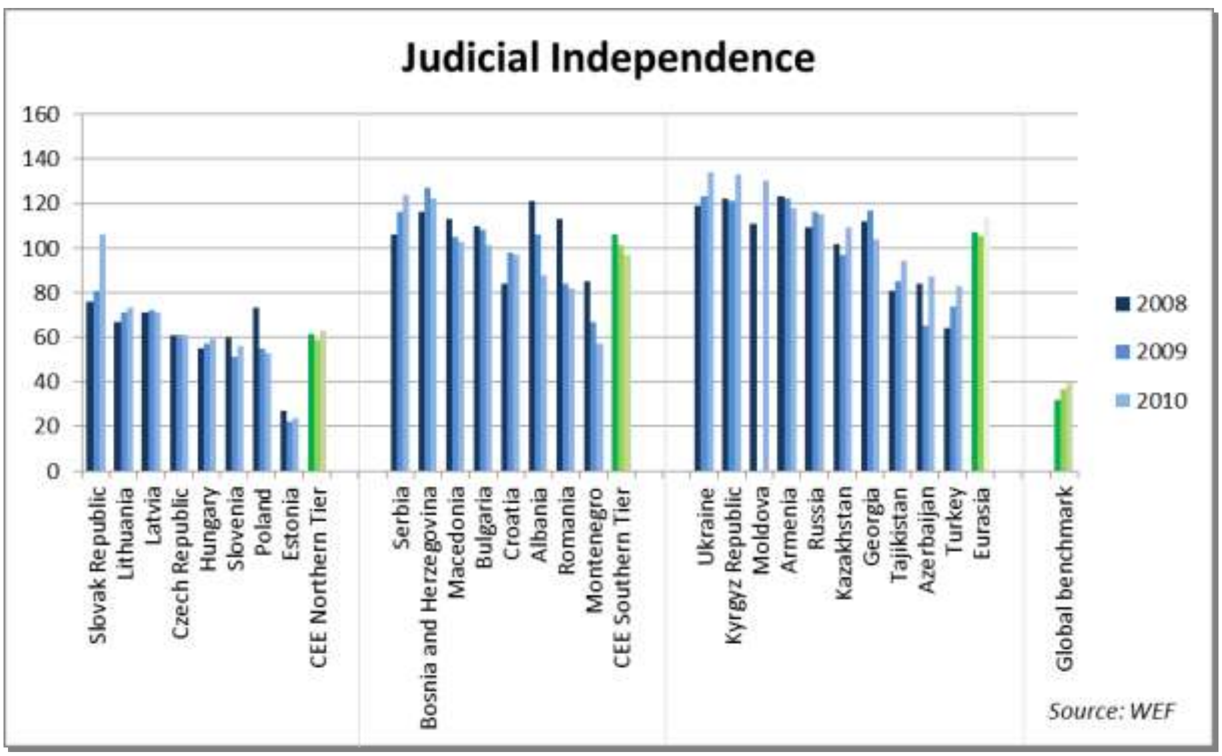


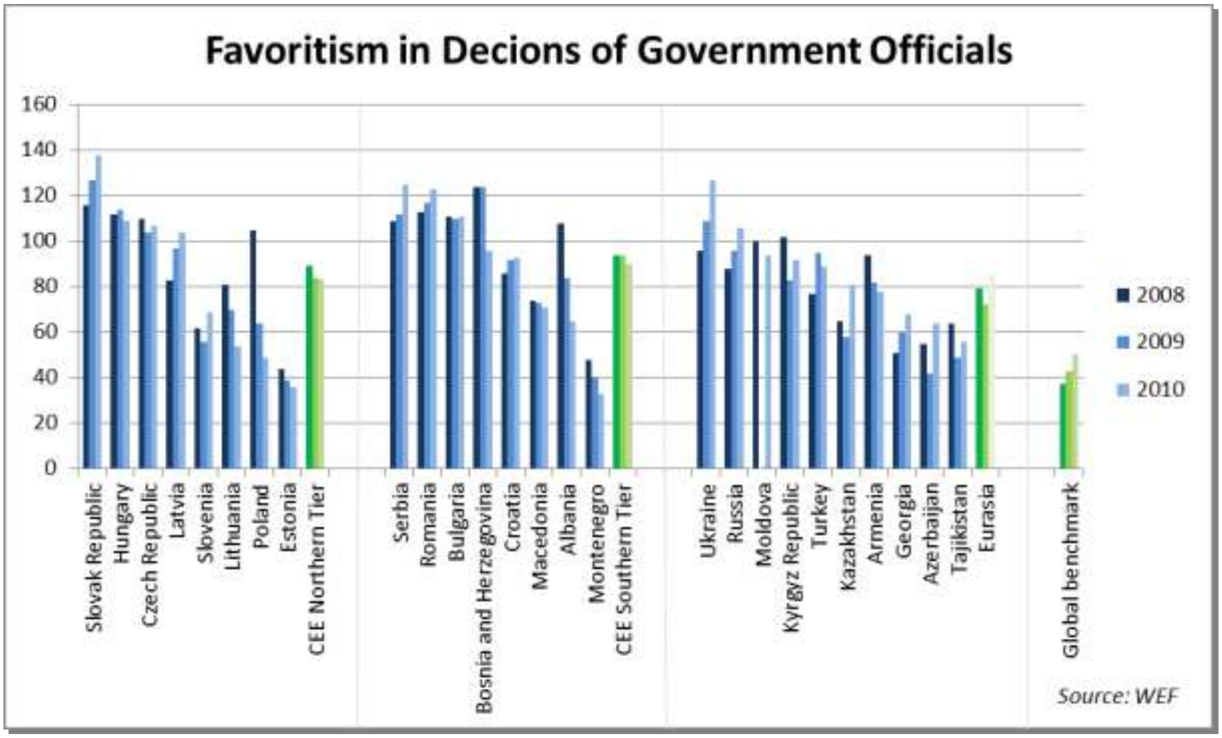
Strength of Auditing and Reporting Standards
7
6
5
4
3
2
1
0
2007
2008
2009
2010
Estonia
Hungary
Lithuania
Poland
Czech Republic
Slovenia
Slovak Republic
Latvia
CEE Northern Tier
Macedonia
Romania
Albania
Croatia
Montenegro
Bulgaria
Serbia
Bosnia and Herzegovina
CEE Southern Tier
Turkey
Moldova
Kazakhstan
Armenia
Azerbaijan
Russia
Tajikistan
Ukraine
Kyrgyz Republic
Uzbekistan
Georgia
Eurasia
Global benchmark
Source: World Bank



Diversion of Public Funds
140
120
100
80
60
40
20
0
2008
2009
2010
Slovak Republic
Czech Republic
Hungary
Latvia
Lithuania
Slovenia
Poland
Estonia
CEE Northern Tier
Bulgaria
Serbia
Croatia
Romania
Bosnia and Herzegovina
Macedonia
Albania
Montenegro
CEE Southern Tier
Ukraine
Kyrgyz Republic
Russia
Armenia
Kazakhstan
Moldova
Azerbaijan
Turkey
Tajikistan
Georgia
Eurasia
Global benchmark
Source: WEF


Public Trust of Politicians
140
120
100
80
60
40
20
0
Slovak Republic
Hungary
Czech Republic
Latvia
Lithuania
Poland
Slovenia
Estonia
CEE Northern Tier
Romania
Bulgaria
Bosnia and Herzegovina
Serbia
Croatia
Macedonia
Albania
Montenegro
CEE Southern Tier
Ukraine
Kyrgyz Republic
Armenia
Turkey
Georgia
Moldova
Russia
Kazakhstan
Azerbaijan
Tajikistan
Eurasia
Global benchmark
2008
2009
2010
Source: WEF


Judicial Independence
160
140
120
100
80
60
40
20
0
Slovak Republic
Lithuania
Latvia
Czech Republic
Hungary
Slovenia
Poland
Estonia
CEE Northern Tier
Serbia
Bosnia and Herzegovina
Macedonia
Bulgaria
Croatia
Albania
Romania
Montenegro
CEE Southern Tier
Ukraine
Kyrgyz Republic
Moldova
Armenia
Russia
Kazakhstan
Georgia
Tajikistan
Azerbaijan
Turkey
Eurasia
Global benchmark
2008
2009
2010
Source: WEF


Favoritism in Decions of Government Officials
160
140
120
100
80
60
40
20
0
Slovak Republic
Hungary
Czech Republic
Latvia
Slovenia
Lithuania
Poland
Estonia
CEE Northern Tier
Serbia
Romania
Bulgaria
Bosnia and Herzegovina
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Macedonia
Albania
Montenegro
CEE Southern Tier
Ukraine
Russia
Moldova
Kyrgyz Republic
Turkey
Kazakhstan
Armenia
Georgia
Azerbaijan
Tajikistan
Eurasia
Global benchmark
2008
2009
2010
Source: WEF

Sources

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Partners for Financial Stability (PFS)
1919 N. Lynn Street
Arlington, VA 22209
Phone: +1 571 882 5000
Fax: +1 571 882 5100